

**2013 SENATE FINANCE AND TAXATION**

**SB 2197**

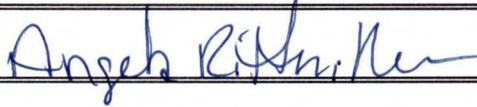
# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2197  
1/23/2013  
Job Number 17565

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 57-02 of the North Dakota Century Code, relating to assessor valuation of farm residences; to amend and reenact subsection 15 of section 57-02-08 and sections 57-02-08.1, 57-02-14, and 57-55-10 of the North Dakota Century Code, relating to elimination of the farm residence property tax exemption; to provide for a legislative management study; to provide an effective date; and to provide an expiration date.

### Minutes:

Testimony Attached

**Chairman Cook** opened the hearing, introduced SB 2197, and handed out attachment 1.

**Senator Triplett** - Where you said it doesn't increase taxes, I agree with your overview that it will not raise the amount of taxes that go to a county or a city or any other subdivision but it would raise the taxes for the individual person while then spreading that increase evenly across all other taxing classes. Would you agree with that statement?

**Chairman Cook** - That is exactly what I meant to say.

**Senator Miller** - You say it will increase the valuation but taxes are undoubtedly going down for a huge segment of the taxable population in property tax. I submit that the idea of generating new revenue for the counties or the school board or whoever, will be very tempting yet the popularity and the overarching opinion is going to be, my taxes went down, even though they might have raised taxes as a whole and increased the revenue.

**Chairman Cook** - To what degree this raises a taxable value of political subdivision I think as you spread it out over those that are already paying taxes, including the people that get this exemption, they are paying taxes on their land of course, I think that reduction is going to be very small. There isn't a lot of this property out there and I think it would be very small. I understand there is always a temptation as you look at increased taxable value to spend that money rather than reduce the mill rate.

**Senator Burckhard** - You referred to this study, and I don't know if you said why the committee made no recommendations. Do you recall why committee made no recommendations?

**Chairman Cook** - It was one of the last interim committees, I think it was the last, where this issue got raised so there was a question of time and ability to do it right. I think the committee, their final recommendation or direction was, interested parties sit down and work together and that did happen.

**Senator Burckhard** - The people that talked to me about this recently, many would say, well we don't get the same services out on the farm as you get in an urban setting. Would you agree or disagree?

**Chairman Cook** - I would agree that they probably don't get the same services but I don't know if they understand how we pay for the services that we get in town. I think the fairness issue myself is the services provided by a person on one side of a section line compared to the person on the other side of the section line, they are the same, but one pays taxes on their home and one does not simply because of occupation.

**Senator Miller** - In functionality is this just the tax on farm residence?

**Chairman Cook** - Just the farm residence.

**Senator Triplett** - You talked about the difficulty in administering it and the concerns from tax assessors, have you checked with the folks in the tax department in terms of how they believe that the current law is being enforced and do they think it's being fully and effectively enforced or are there still issues with application of the current law?

**Chairman Cook** - I think there has been improvement made since 2005. I think there is a long way to go. Maybe a lot of what I hear is anecdotal, but, we have over 1,000 assessors out there, it's tough. We also passed a bill last session that I think once fully implemented and gets put in place, and the tax department has been working on that, but I think that will help improve the situation also.

**Al Vietmeier, Burleigh County Tax Director** - See attached testimony 2 in support of SB 2197.

**Senator Triplett** - How long have you been actively enforcing the exemption by requiring everyone?

**Al Vietmeier** - Since I've started this is the first year, the last time it was done that I can find records for everybody was 1990.

**Senator Triplett** - You talk about the burden on local township assessors and such, why is it that you have to put the burden on them? Why couldn't you have them tell people that they have to provide the information to your office specifically and then it wouldn't be the burden on the township assessors to have to do the collecting?

**Al Vietmeier** - That's why our office is doing that this year, because, for the previous 2 years since I started here I have asked the township assessors to gather that information and both years they came back and told me they were not getting that information. So, from the standpoint of the organization with our office to get all this up and running it took us until this year.

**Senator Triplett** - You mentioned the difficulty of them filling out the form incorrectly, this is a form produced by the state tax department?

**Al Vietmeier** - That is correct.

**Senator Triplett** - Have you communicated your concern to the folks at the state tax department that maybe they should print the 'select only one' in larger font or in red or something so people aren't confused. Have you made any efforts to improve the form?

**Al Vietmeier** - We have not but after this year that will happen because we didn't have them come back until this year.

**Chairman Cook** - Did you look at section 4 of the bill as far as the process that we follow to put these on the tax rolls, do you have any comments toward that?

**Al Vietmeier** - I do agree with section 4 because when it comes time to putting these on, we, at that point our office can't go out and put them on, we aren't the assessor for those townships so we have to rely on the local assessors to do that. So for them to put on 600 houses, I have some assessors who do 8 townships, if you just took an average there is 50 houses in each that they are going to have to do. It's going to take time to get that administered so I do agree with the way that is set out, to give them some time to get all those houses on the tax rolls.

**Chairman Cook** - Do you have any idea what percentage of the rural homes in Burleigh County is exempt and what percentage pay property tax?

**Al Vietmeier** - I don't, but I would say, our Ag land here in Burleigh County only makes up about 8% of our total value because of the city of Bismarck. So I would say it's somewhere less than that.

**Senator Miller** - In a county like Walsh County though, Ag land makes up well over half the value and there's a lot more farm homes, so that is going to effect a much different aspect. You've got a greater population living scattered throughout a rural area versus Burleigh County.

**Al Vietmeier** - I agree with you. We see that problem here in Burleigh County between us and the counties to the north of us because they are so rural that even on our mill levies it's totally different because they have to generate their income from a lot lesser tax base.

**Senator Burckhard** - Did you say that Burleigh County has 600 homes that qualify for this?

**Al Vietmeier** - We sent out 600 forms. How we determine who should get a form is if they have a physical address, a 911 address issued with no value. A lot of those houses are coming back as vacant farm sites; of those vacant farm sites some of those have no value. They are abandon farm sites.

**Jim Hauge** - See attached testimony 3.

**Chairman Cook** - The one point you make that I think is one we need to discuss is that third point and that's how will the residence be appraised. First off, if the residence was owned by somebody that was a non-farmer it's being appraised right now today and it's being taxed. I wonder if there isn't validity in finding out what some of these farm residence are actually being assessed at and I wonder if that wouldn't remove some of the concern. In my mind, the farmstead that you are talking about 25 miles off of a gravel road, it's probably not a new farmstead, it's going to be assessed at a value that's relatively low and the taxes will be relatively low. But, that question still looms, and I can understand why it would loom. There is fear of the assessor coming and what's he going to put on it. That is why I tried to put some steps in here so that folks would start to understand what the assessed value is going to be prior to this being implemented.

**Jim Hauge** - I think it begs two questions, number one, who is going to live 17 miles off the highway, and the second one is, our oldest son built a new house 5 years ago. It's a house that would be \$200,000-\$300,000 in Bismarck.

**Chairman Cook** - And out there it's probably \$60,000.

**Jim Hauge** - I don't know, and that is one of the questions, how do you get an accurate appraisal because if you just go by the age and the square footage and you do a comparison, even in Elgin or Carson it would have way more value than what it does there.

**Senator Oehlke** - Previous testimony someone mentioned it was kind of unfair for someone who doesn't pay residence tax, they weren't paying for the roads they were driving on. Now, do you pay a fuel tax?

**Jim Hauge** - Yes

**Senator Oehlke** - I was sure your answer was yes but I believe, if my information is correct from the little red book, roughly 37-38% of the gas tax that is collected in ND goes back to cities, counties, and townships and that is what that money is designed to do is help with those roads. Would you agree with that?

**Jim Hauge** - Yes

**Richard Schlosser, ND Farmers Union** - See attached testimony 4, opposed to SB 2197. Richard also handed out testimony 5 on behalf of Larry Syverson, Chairman of the Board of Supervisors of Roseville Township of Trail County.

**Chairman Cook** - The proponents of measure 2, their idea of fairness I guess was to take everybody to the lowest level and tax everybody at 0, and they justified that argument that

there are those who are being taxed at 0, and if it's good for them it should be good for all. They had a lot of public support for that argument. I think a lot of the no vote came from people that didn't disagree with the argument but were more concerned of what we might do if it did pass and what the sticks would be. I still think that is out there, that support for that argument. You mentioned your social contract we have here. Do you think the people we have here in ND if given the opportunity would still support the idea of farm exemptions and some people paying no tax and others paying tax?

**Richard Schlosser** - As I say from our perspective we certainly hope so because we believe that not only culturally, but historically, I do believe that as we read the history that was provided to that interim tax committee that there was a purpose to this and you mentioned the different purposes and it may have been many that they looked at. I certainly hope so, that people recognize this. I understand the changing demographics and the more urban population.

**Chairman Cook** - I agree with you, I hope that we don't find out the hard way.

**Senator Triplett** - Do you have any issue with the full enforcement of the existing law as it was described by Mr. Vietmeier in earlier testimony?

**Richard Schlosser** - We don't have specific language, but I think throughout our policies obviously what makes common sense is that why are we developing policy without regard for enforcement. I think they go hand in hand. Throughout our policy we do talk of enforcement, supporting, that these are properly implemented and we encourage our members for instance to abide by the provisions we are supporting.

**Scott Rising, ND Soybean Growers Association** - See attached testimony 6, opposed to SB 2197.

**Chairman Cook** - For every increase there is a decrease in property tax, and property tax is the one tax that is supposed to be equalized. You make a comment about cherry picking and I think you've probably got a good idea of all the other legislation that is out there. You put them all together and we will see what all passes. This probably won't be a cherry pick but should be part of the whole table discussion.

**Scott Rising** - I think we have to be careful with this idea that we can take something out of one class and assume it's part of another class. I'm really concerned about that, not just for the farm home exemption.

**Senator Triplett** - I need you to talk a little more about your notion where you said we should not have to prove our innocence, and I think you were objecting to the way in which the Burleigh County assessor was describing how he was enforcing the current law. The law is based on a farm income impacting whether or not a particular parcel is entitled to the residence exemption or not so I'm a little confused how you think it is making someone prove their innocence when the tax assessor is simply trying to gather the information that the law seems to require.

**Scott Rising** - That will teach me to comment on things I know little about, but it sounds to me like the Ag producer who wants to take advantage of an exemption must prove beyond reasonable doubt rather than for example for me to declare an exemption on my income tax without providing a long list of detailed information about my operation rather than just requesting it and having somebody perhaps verify a sample of that, but having everyone provide detailed information about their operation. What I'm wondering in relation to that is, that's okay, if that is how you think you have to do it. I can buy into that, I'm just wondering if all the other classes, the exemptions are handled the same way.

**Senator Triplett** - Use examples of first time home buyer exemptions, or commercial exemptions, whatever, I know when I served on the county commission in Grand Forks County we certainly required people who were coming in for commercial tax abatements to provide their own personal financial data. It was a matter of course and didn't think we were invading their innocence by doing that. So I guess it seems to me that if the law that we have is based on income that we have to give our assessor the right to review income data in order to do their job.

**Chairman Cook** - I tend to agree with her, it's the opposite. Those who get other exemptions would love to live by the rules here.

**Arvid Winkler** - See attachment 7.

**Tom Bodine, ND Farm Bureau** - See attached testimony 8, opposed to SB 2197.

**Julie Ellingson, ND Stockman's Association** - See attached testimony 9, opposed to SB 2197.

**Dan Wogsland, ND Grain Growers Association** - See attached testimony 10, opposed to SB 2197.

**Senator Triplett** - What do you think of section 4 as a standalone bill? You have all been standing up here asking for us to defeat the bill, but it seems to me that there might be some substantial amount of value in the section that requires the assessors over a several year period to go out and actually put these properties on the tax rolls so that we know which ones are vacant, which ones have value, how much value they have, and obviously as the chairman has said, we have assessors out there making these valuations all the time for people whose income doesn't allow them to be exempt and because a property can go from being exempt to nonexempt in a heartbeat if a farm wife takes an off farm job and the income status changes, it seems to me it would make a lot of sense for our counties to have the work done and the knowledge base for that, so I'm inclined to think that we could work on this bill and maybe do it as an information gathering thing for a couple of years and then maybe it would be a more appropriate time to look at it after we know what the facts are. We might find that with declining demographics there's just not a problem once we have full enforcement, but gathering the information would assist in the enforcement of the existing law and would also maybe take some of the concerns away as people see what their homes would be valued at if they were they not exempt. Would your group have any objection just to gathering the information?

**Dan Wogsland** - I think everyone wants to have this and wants to have this right. I think that we believe that present law gives the tools necessary to make sure that it is right. If there are things that are looked at across the board in terms of gathering information, I think that is something that on an individual basis we would take a look at, but right now I think we have law that if properly interpreted can serve us well.

**Senator Triplett** - So you don't think section 4 adds anything, you think the authority is already there for people going out and getting all these on the tax rolls?

**Dan Wogsland** - Yes

**Chairman Cook** - Senator Triplett raises an interesting point but I think the argument applies both ways. I can't imagine over 1,000 assessors going out and following the law if we pass section 4 because there's absolutely no financial gain for them to do so. There is no increased revenue to the county and from what I've seen their bosses don't make them do anything they don't want to do unless there is a financial gain for the county. I might be wrong there. Do you agree with me?

**Dan Wogsland** - It would seem to me that really, not going out and doing your job because someone doesn't like it doesn't really in my view cut it.

**Chairman Cook** - It doesn't in mine either but it sure happens.

**Dan Wogsland** - I understand that and there are the realities that are out there, but none the less it would seem to me that these assessors do under current law have that opportunity. Just as all of us we've got a job to do and whether you are paid here or there you've got a job to do.

**Chairman Cook** closed the hearing on SB 2197.

# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2197  
2/19/2013  
Job Number 19174

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 57-02 of the North Dakota Century Code, relating to assessor valuation of farm residences; to amend and reenact subsection 15 of section 57-02-08 and sections 57-02-08.1, 57-02-14, and 57-55-10 of the North Dakota Century Code, relating to elimination of the farm residence property tax exemption; to provide for a legislative management study; to provide an effective date; and to provide an expiration date.

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2197.

**Senator Miller** - I'll move a **Do Not Pass**.

Seconded by **Senator Burckhard**.

**Roll Call Vote 6-1-0**

Carried by **Senator Oehlke**.

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/16/2013**

Bill/Resolution No.: SB 2197

- 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						

- 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).*

SB 2197 repeals the farm residence property tax exemption.

- 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.*

It is not possible to estimate the fiscal effect of SB 2197. Because farm residences are not currently required to be valued, there is no estimate of the new value that would become taxable if this bill were enacted. In some counties, there is not even a count of exempt farm residences. If SB 2197 is enacted, the increased taxable value of townships and counties would result in some reduced mill levies, but the amount of mill levy reduction is presently unknown.

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

**Telephone:** 328-3402

**Date Prepared:** 01/22/2013

Date: 2-19-13  
 Roll Call Vote #: 1

**2013 SENATE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2197**

Senate Finance & 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 Senator Miller Seconded By Senator Burckhard

Senators	Yes	No	Senator	Yes	No
Chariman Dwight Cook		X	Senator Jim Dotzenrod	X	
Vice Chairman Tom Campbell	X		Senator Connie Triplett	X	
Senator Joe Miller	X				
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

Total (Yes) 6 No 1

Absent 0

Floor Assignment Senator Oehlke

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

**REPORT OF STANDING COMMITTEE**

**SB 2197: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS** (6 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2197 was placed on the Eleventh order on the calendar.

**2013 TESTIMONY**

**SB 2197**

## Farm Buildings Property Tax Exemption Background

Before 1918 the Constitution of North Dakota did not allow exemption from property taxes for buildings. In November 1918 the voters approved an amendment to what is now Article X, Section 5, of the Constitution of North Dakota, which allowed the Legislative Assembly to classify buildings as personal property and thereby exempt selected buildings from property taxes.

The first property tax exemption for agricultural buildings in North Dakota was enacted by passage of Senate Bill No. 44 (1919). That bill simply provided exemption from property taxes for "all structures and improvements on agricultural lands." The bill contained no definition of the terms "structures and improvements" or "agricultural lands."

For a period of 50 years, the farm building exemption was changed very little, although a presumption was added that any parcel of property of less than five acres was not a farm. It appears that application of the exemption became more difficult as "nonfarmers" began moving to rural areas, and the 1971 Legislative Council report recommended a bill to increase the minimum qualifying size of a farm from 5 to 10 acres and to require that not less than 50 percent of total annual gross income of the farmer and the farmer's spouse must be derived from the farm. The report states that a problem existed in some areas when persons who were not farmers built houses in rural areas and claimed the houses were exempt under the farm structure exemption. The 42nd Legislative Assembly (1971) approved the bill recommended by the Legislative Council but deleted the requirement of 50 percent of the farmer's income coming from the farm.

In 1973 the Legislative Assembly restricted the application of the farm building exemption. This 1973 legislation introduced several new concepts, such as application of income limitations, activities limitations, and retirement considerations. The bill included a statement of intent of the Legislative Assembly that the exemption as applied to a residence was to be strictly construed and interpreted to exempt only a residence situated on a farm occupied or used by a person who is a farmer. The bill defined "farm" as agricultural land containing a minimum of 10 acres which normally provides a farmer, who is actually farming the land or engaged in the raising of livestock or other similar operations normally associated with farming and ranching, with not less than 50 percent of the individual's annual net income, and the bill defined "farmer" to mean an individual who normally devotes the major portion of the person's time to the activities of producing products of the soil, poultry, livestock, or dairy farming and who normally receives not less than 50 percent of the person's annual net income from these activities. The bill also defined "farmer" to include an individual who is retired because of illness or age and who at the time of retirement owned and occupied as a farmer the residence in which the person lives and for which the exemption is claimed.

In 1981 the farm building exemption was further restricted by defining income from farming activities, re-

quiring that a husband and wife who reside in a residence claimed as exempt must receive not less than 50 percent of combined net income from farming activities and allowing the assessor to require the occupant of a residence who is claiming the agricultural building exemption to file a written statement regarding the income qualifications of the applicant and spouse.

In 1983 a limitation was added that the individual and spouse claiming the exemption could not qualify for the exemption if the individual and spouse had more than \$20,000 of nonfarm income during each of the three preceding calendar years. This provision does not apply to an individual who is retired from farming and otherwise qualifies for the exemption. This annual nonfarm income limitation was increased from \$20,000 to \$30,000 per year for three preceding calendar years in 1985.

During the November 1991 special legislative session, a further limitation was added that any structure or improvement located on platted land within the corporate limits of a city or any structure or improvement located on railroad operating property is not exempt as a farm structure.

In 1995 the definition of livestock as used in the exemption was expanded to include nontraditional livestock.

In 1997 the requirement that a farm must normally provide the farmer with 50 percent or more of annual net income was replaced with a provision that disqualifies the farmer from the farm residence exemption if the farmer receives more than 50 percent of annual net income from nonfarm income during each of the three preceding calendar years. The limitation on nonfarm income was increased from \$30,000 to \$40,000 during each of the three preceding calendar years, which would disqualify a farmer from the farm residence exemption and an exclusion was added that a farmer operating a bed and breakfast facility would not be disqualified from the farm residence exemption because of income from operation of the bed and breakfast facility.

In 1999 the disqualification for earning 50 percent or more of annual net income from nonfarm income in each of the three preceding calendar years was replaced with a requirement that annual net income from farming activities must be 50 percent or more of annual net income during any of the three preceding calendar years. The 1999 changes also allowed a beginning farmer to qualify for the exemption by excluding consideration of that person's income history. In 1999 the farm building exemption was expanded to include feedlots and buildings used primarily, rather than exclusively, for farming purposes. In 1999 a provision was added to allow addition of depreciation expenses from farming activities to net farm income for purposes of qualifying for the farm residence exemption.

### Committee Consideration

The committee received testimony from several county directors of tax equalization describing problems with the farm buildings property tax exemption. All of these tax officials described this exemption as the most

difficult aspect of property tax administration in North Dakota.

A recent development that has raised questions regarding the farm residence exemption is corporate farm ownership, which has been addressed by two opinions of the Attorney General in 2004. The opinions concluded that a farm residence occupied by an individual receiving wages from a corporation would not qualify for the farm residence exemption but would be eligible for exemption as a farm building located on agricultural lands and used to provide housing for an employee. Because the income limitations for the farm residence exemption only apply to a residence, corporate ownership and classification of the residence as a farm building that is exempt means that the structure is exempt from property taxes regardless of the source of income or amount of income of the individual residing on the farm. As an example of the potential unfairness of this situation, a struggling farmer and spouse who earn slightly more nonfarm income than farm income per year are subject to property taxes on their farm residence while an incorporated farmer earning more than \$100,000 annual nonfarm income and residing in a \$300,000 residence on a farm owned by a corporation pays no property taxes on that home.

The income limitations in the farm residence exemption often have the most impact on struggling farmers. If farm income is low, any nonfarm income earned to keep the farm afloat could disqualify the owners from the exemption. The farmer whose residence is put on the tax rolls sees this as a double penalty because the farmer must take an outside job to keep the farm going and then is subjected to property taxes on the farmhouse because of the outside income.

The statutory provision allows assessors to require annual application for the farm residence exemption. In some counties applications are required every year in an attempt to be fair to all farmers. In some counties the county has suggested that applications should be required but in several townships the assessors refuse to require applications.

An example was given of a farmer whose spouse earned nonfarm income exceeding the limitations in the statute. The residence was subject to property taxes. The couple was divorced and the residence became exempt because there was no nonfarm income for one year. The farmer remarried and the new spouse also has more than \$40,000 of nonfarm income but the residence in question remains exempt for three years because for one year there was no nonfarm income.

In several counties, problems were described with township application of the farm residence exemption. In some instances, it was alleged that residences that should be subjected to property taxes are exempt because of favoritism by the local assessor or the township board of supervisors. Instances were described in which a township assessor was fired for attempting to apply the law correctly but in opposition to the wishes of the board of township supervisors.

Eliminating the farm residence exemption has been suggested by some farmers who perceive unfairness in

the current situation in which some residences are exempt and some are taxed. It was suggested that taxing all residences might result in lower overall taxes for some farmers when their neighbors' very expensive homes would be put on the tax rolls. County assessment officials pointed out the problem that it would take several years to assess all farm residences because existing assessment staff does not have extra time to complete these assessments.

It was suggested that using state-level assessors for farm residence assessments and application of exemptions would improve the uniformity of the system and address the problem that it is apparently becoming more difficult for counties and townships to get people to take the job of assessing farm property.

In discussion of problems with applying the farm residence exemption, no consensus of how to improve the existing situation could be achieved. The committee urged interested parties to continue discussion of these issues and seek a consensus recommendation for 2005 legislation that will improve the fairness and provide uniform application of the exemption.

### **Conclusion**

The committee makes no recommendation regarding its tax preferences study.

2

**TESTIMONY TO THE  
SENATE FINANCE AND TAXATION COMMITTEE**  
Prepared by Allan Vietmeier, Burleigh County Tax Director  
1/23/12

**SENATE BILL 2197**

Mr. Chairman and members of the committee, this testimony is in support of SB 2197.

- The farm home exemption is antiquated. This exemption was put into place in the time of sod houses and horse-drawn buggies. We now have modern roads and people who are willing to make long commutes. Because of this, these properties now have real value. For example, there are several \$500,000 houses on farm sites throughout Burleigh County that are currently not tax under this exemption.
- Currently Burleigh County is in the process of administering this exemption. We are requiring tax payers to provide us with their income information. They are providing this info but it is not without heartburn. This exemption requires people to disclose personal financial info, which is very difficult for the landowner and the assessor.
- Unless we require the landowner to provide their income info every year, there will be people who get this exemption who should not. I find it difficult for the township assessor, who is meagerly compensated (\$200-\$500 per year), can have a difficult time asking friends and neighbors for personal financial information. When this occurs, some properties receive unwarranted exemptions.
- I have attached a copy of the Farm Residence Exemption. You can see that there are several sections to fill out. The form is complicated causing confusion and repeated attempts to complete.

Mr. Chairman, members of the Senate Finance & Taxation committee, I respectfully request a do pass for SB 2197.

Thank You,

Allan Vietmeier  
Burleigh County Tax Director

# Application For Property Tax Exemption of a Farm Residence

This application must be filed every year on or before February 1 of the year for which the exemption is being requested. Return completed application to:

Legal Description

Property Number:  
 Property Owner:  
 Property Address:

The property owner(s) apply for real property tax exemption for the year \_\_\_\_\_ on the property described above and, certify the following:

**SELECT ONLY ONE CATEGORY THAT APPLIES**

**Active Farmer Category**

	Yes	No
1. Is the residence located on a tract or contiguous tracts of agricultural land containing 10 or more acres farmed by the occupant? .....	_____	_____
2. Is the major portion of the occupant's time devoted to farming activities? .....	_____	_____
3. Does the annual net income from farming constitute 50% or more of the total income, including the income of a spouse if married, during any one of the three preceding calendar years? .....	_____	_____
"Net income from farming" means taxable income from farming as computed for state income tax purposes adjusted as follows:		
a. Add back the difference between gross sales price less expenses of sale and the amount reported for sales of agricultural products for which the farmer reported a capital gain.		
b. Add back interest expense from farming which has been deducted in computing taxable income.		
c. Add back depreciation expense from farming activities which has been deducted in computing taxable income.		
4. Did the occupant engaged in farming have nonfarm income, including that of a spouse, if married, of more than \$40,000 during each of the three preceding calendar years?.....	_____	_____

**Vacant Residence Category**

1. Is the residence intended for use as a farm residence? .....	_____	_____
2. Was the residence last used as a farm residence or as part of a farm plant?.....	_____	_____

**Farm Laborer Residence Category**

1. Is the residence being used as part of a farm plant to provide housing for that farmer's workers?.....	_____	_____
---	-------	-------

**Retired Farmer Category**

1. Is the residence occupied by an individual who retired from farming because of illness or age and who at the time of retirement owned and occupied as a farmer the residence in which the applicant lives and for which the exemption is claimed?.....	_____	_____
---	-------	-------

**Beginning Farmer Category**

1. Is the residence occupied by an individual who began occupancy and operation of a farm within the three preceding calendar years? .....	_____	_____
2. Is the major portion of the individual's time normally devoted to farming activities?.....	_____	_____
3. Was there at least one of the prior three years in which the farmer had no farm income or loss?.....	_____	_____

**Surviving Spouse Category**

1. Is the residence occupied by the surviving spouse of the farmer who occupied the residence?.....	_____	_____
2. Was the farmer an active farmer at the time of death?.....	_____	_____
3. Was the farmer a retired farmer at the time of death?.....	_____	_____
4. Date of the farmer's death _____?		

**I am willing to furnish proof of income if requested to do so by someone authorized to administer this exemption and I understand that making false statement in a governmental matter is punishable as a Class A misdemeanor provided in N.D.C.C. § 12.1-11-02.**

Signature of applicant \_\_\_\_\_ Date \_\_\_\_\_

Assessor or Director of Tax Equalization \_\_\_\_\_ Date \_\_\_\_\_

Application is: **Approved** \_\_\_\_\_ **Disapproved** \_\_\_\_\_

Senate Bill 2197 Written Testimony.

By:

Jim Hauge  
3209 46<sup>th</sup> Ave SE  
Mandan, ND 58554

I farmed for 35 years in southern Grant County and our two sons have taken that operation over. Both of them live on the farm and the farm is 17 miles from the nearest paved highway, 21 miles from Carson, and 25 miles from Elgin. Although I do not own a farm residence in Grant County, I am still pay property tax in Grant County.

I oppose this Senate Bill 2197 because:

1. Typically farm families don't have the same services as urban families.
  2. It is chasing declining demographics.
  3. It will be very difficult and expensive to obtain an accurate farm dwelling appraisal.
1. Typically farm families don't have the same services as urban families.

Our farm is 17 miles south of Highway 21 on a gravel road, when the road is dry we call it gravel. When it is wet it is closer to a dirt road. Both my sons' family's personal vehicles are 4 wheel drives and they are lucky to get 20,000 miles out of a set of 60,000 mile tires.

We have 7 grandchildren that live on the farm and four of them go to school. The three youngest go to Elgin and the oldest goes to Carson. The three youngest (2-kindergarden and one 2<sup>nd</sup> grader) ride the bus for 1 ½ hours in the morning and 1 ¼ hours at night, and that is only when the bus can make it because of the roads.

2. It is chasing declining demographics.

The number of bonafide farms has been declining since the 1930's and it appears that trend is going to continue. Does it make sense after all these years to start taxing a demographic that will continue to decline and will continue to bring in less revenue, year after year? In some cases this taxing will actually speed up that decline in farm numbers.

3. It will be very difficult and expensive to obtain an accurate farm dwelling appraisal.

These questions need to be answered before even considering a Bill such as this.

How will a farm residence, such as my sons' be appraised? Who will appraise these farm residences? Who is qualified to appraise these? Will a value just be put on them based on the age and the square footage? The farm is 85 miles from Bismarck, 100 miles from Dickinson, and 100 miles to the closest oil well. It is 17 miles from the highway, on a road that is probably no better than the roads in the oil patch. More questions: Who would be a willing buyer? How do you appraise houses under these circumstances and get it accurate? When we left the farm our home was worth nothing except to our son and family.

In conclusion, our oldest son lived in Southern Nebraska four years before he came back to the farm. He said if you were driving into Kansas from Nebraska, on an unmarked road, you could tell where the state line was because of the appearance of the farmsteads. Kansas taxed farmsteads and Nebraska didn't. What do we want rural North Dakota to look like?

I urge you to oppose SB 2197—thank you.



PO Box 2136 • 1415 12th Ave SE  
Jamestown, ND 58401  
800-366-8331 • 701-252-2341  
ndfu.org

## Senate Finance and Tax Committee

January 23, 2013

### North Dakota Farmers Union Testimony on SB2197

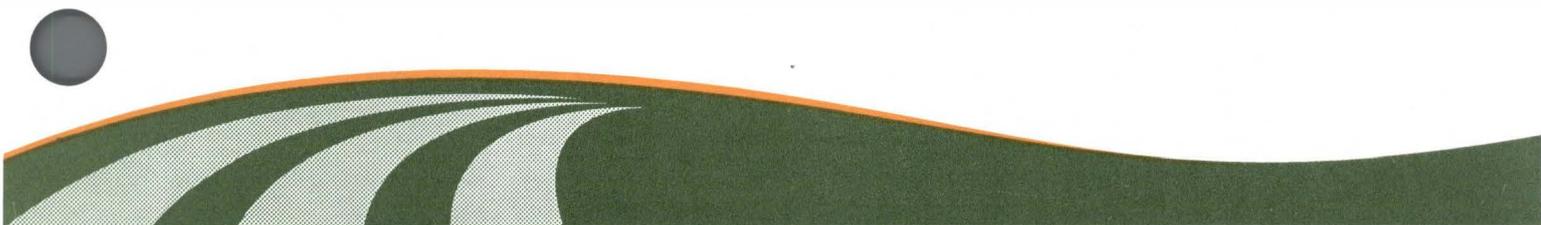
Mr. Chairman and members of the Senate Finance and Tax Committee, my name is Richard Schlosser and I am testifying on behalf of the members of North Dakota Farmers Union. North Dakota Farmers Union (NDFU) is opposed to SB 2197. In general, our tax policy speaks of a broad based, comprehensive approach which is not overly reliant upon property taxes.

The support of the farm home exemption has been a long standing NDFU policy - possibly embedded in the original passage of the exemption. I have included an attachment entitled 'Farm Building Property Tax Exemption History' prepared by Legislative Council for the interim taxation committee dated August 2004. It is interesting to note that the present farm home exemption had its origins in a 1918 voter approved North Dakota Constitutional amendment allowing the Legislative Assembly to exempt selected buildings from property taxes. The Legislature subsequently passed Senate Bill 44 in November 1918 exempting structures and improvements on agricultural lands. Over the years, addressing the changing demographics of reduced numbers of actual farms and ranches, this section of the code was amended several times to ensure that the application of the exemption was maintained as originally intended – that is, for farmers and ranchers. We at NDFU feel that this exemption is predicated on the notion that North Dakotans have an implied social contract acknowledging that the farm home exemption is a reasonable exchange for property taxes paid on agricultural land and the contribution to our economy and culture.

Agriculture has long been one our state's main economic engine which, according to 2010 statistics, is about 25% of our state's total economic base. I have included some brochures compiled by the North Dakota Ag Statistics. As a general farm organization representing family farmers and ranchers, we feel that in the context of the farm home exemption debate, we need to remind our citizens of agriculture's role in our state's economy.

Finally, as a member of the 'Keep it Local' campaign that opposed measure 2, NDFU believes that the best approach to affecting property tax relief is through the legislative process. We are following a host of property tax relief bills and appreciate the efforts of the legislature to address property tax relief comprehensively, and do not see the passage of SB 2197 fulfilling our campaign promise of meaningful and equitable property tax relief.

Again, with all due respect, we stand in opposition to SB 2197. Thank you and I will attempt to answer any questions you may have.





Oppose SB 2197

Senate Finance and Tax Committee

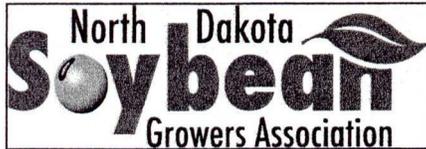
January 23, 2013

Chairman Cook and Committee members,

I am Larry Syverson from Mayville, I am the Chairman of the Board of Supervisors of Roseville Township of Traill County and I am the President of the North Dakota Township Officers Association. NDTOA represents the 6,000 Township Officers that serve in more than 1,300 dues paying member townships.

The NDTOA has a long standing resolution that supports the farm home exemption, therefore I ask that you give SB 2197 a do not pass recommendation.





2197  
SB ~~2176~~

Good morning Chairman Cook and Senate Finance and Tax Committee members. I'm Scott Rising representing the North Dakota Soybean Growers Association.

I come to the podium with some reluctance, but in strong opposition to SB2197.

As some of you know, my legislative roots reside with this committee and in this room. I have the highest respect for the members of this committee and its chairman.

In spite of that, I must share with you my belief that SB2197 must be turned back.

As I understand our current tax code, it is made up of six basic, but distinctly differing types of property categories; Agricultural; Residential; Commercial; Centrally Assessed; Taxes Paid In-Lieu-Of; and Exempt properties. (*Red Book*, 2012, pages 84-87).

Let me briefly walk you through this list, starting at the end and working toward the beginning.

Exempt properties are exempt from property tax. Examples most might be familiar with include government property, and churches or religious property. These properties may or may not "look" like other types of properties, but if they do, they are treated differently under our code.

Taxes Paid In-Lieu-Of properties are a group that appears more difficult to accurately assess value on. They may have little in common with other properties and seem to be closely interconnected with a "service" delivery feature. We know electricity as a "thing". It lights the light, or not. We tax its generation, distribution and transmission capacity In Lieu Of all property except its land.

Centrally Assessed properties are properties of commerce like railroads, airlines and investor owned utilities that have the same property elements spread over several taxing authorities. They are assessed under the State Board of Equalization, ensuring "same" treatment across the state, regardless of location. Centrally Assessed properties have the same tax rate as Commercial properties.

Commercial properties are also properties of commerce, but are assessed locally. Each differs based on size, shape, materials, etc; and assessed value. We invest much of our time, talent and treasure in these properties as we seek economic viability and security.

I like to call Residential properties our castles or nests. It is where we live our private lives. I view our home as my place of emotional support and security. It serves as a storage facility, repair shop, sometimes work place, center of entertainment, and more.

The Agricultural properties, that we focus on today, are also places where we invest of our time, talent and treasure seeking economic security. It has many similarities to Commercial property' but generally requires much more space. And our tax code treats each similar in many ways, but also different, although the applied tax rate is the same.

Each type has some similarity to one or more of the others, despite their individual nuances. Each is treated different under the code. A common theme of all is exemptions intended to encourage beneficial behaviors or actions for economic deployment, practical concerns or other community targeted goals.

SB2197 seeks to "cherry pick" an exemption that has existed for nearly one hundred years from one category, Agricultural, and equate it to Residential, which is a completely different category. These categories were not considered the same at their creation and are not now! In fact to illustrate this; most Farm and Ranch homes are located at, or in close proximity, to a site that is increasingly industrial in nature. And, the state has granted towns and cities the authority to create zoning laws that prohibit the building, for residential occupancy, of like properties in areas of industrial activities.

I would also take a minute to point out to the committee that this proposal is one of only two tax increase proposals I am aware of for this session. Additionally, this increase proposal follows directly on the heels of an increase in the Agricultural taxes due the removal of an artificial floor under the "capitalization rate" bedded within the Ag Productivity formula from the 2009 session that is only now if being fully realized and not yet fully evaluated . . . PLUS . . . experiencing a growing shifting impact attributed to the implementation of the soil survey required adjustments in many taxing districts.

**We are seeking your DO NOT PASS vote on SB2176.**

Thank You this time and your attention.

*Scott*

Contact Information: Scott Rising,

701-527-1073 (cell), grwbeans@earthlink.net

## CUBA TOWNSHIP

BARNES CO

SB 2197

Parcel NO	Acres	Res Land	Res Struct	Res Total	Taxable V	Township
07-0240405	10	15000	94100	109100	4909.5	131.03
07-0420210	5.36	11400	73100	84500	3802.5	101.49
07-0620210	7.65	13700	86500	100200	4509	120.35
07-0640420	8.84	13800	234500	248300	11173.5	298.22
07-0710110	7.71	8000	133700	141700	6376.5	170.19
07-0720210	7.04	13000	80000	93000	4185	111.7
07-0740420	12.82	7000	56500	63500	2857.5	76.27
07-0740425	2	8000	103900	111900	5035.5	134.4
07-1010100	2.5	8500	94800	103300	4648.5	124.07
07-1010110	4.03	11000	109000	120000	5400	144.13
07-1620210	8.71	14700	79300	94000	4230	112.9
07-2210100	2	7000	29900	36900	1660.5	44.32
07-2230310	14.14	19600	65200	84800	3816	101.85
07-2310120	11.6	17100	70400	87500	3937.5	105.09
07-2540400	2	8000	95700	103700	4666.5	124.55
07-3010110	10.06	15400	44000	59400	2673	71.34
Tot	Lot	600	31700	32300	1453.5	38.79

Ag Acres 22575.61

Ag Val 14441400

722100

Res L 191800

8600

Res S 1482300

66700

Com L 62100

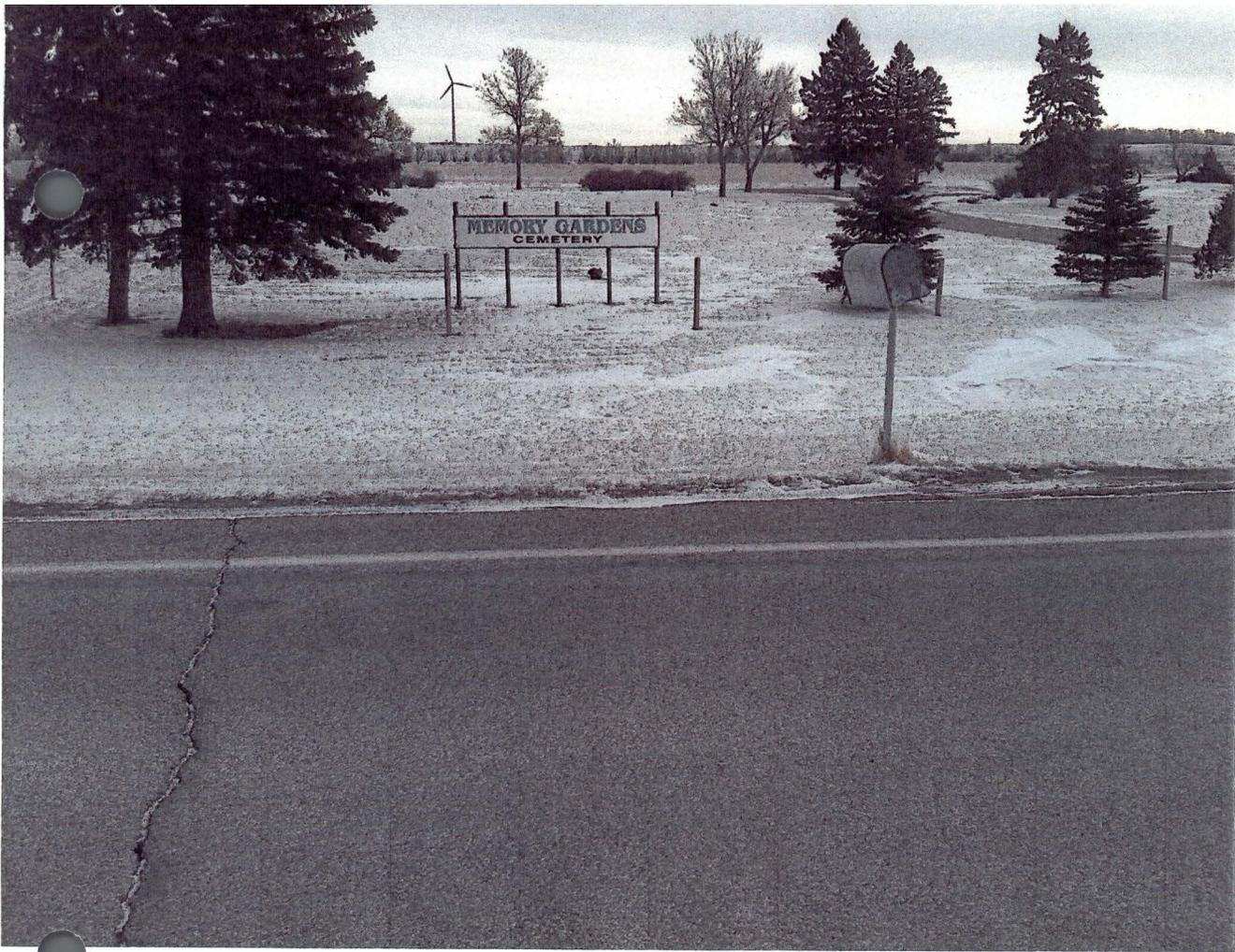
3100

Com S 90600

4500

Central

656349



**BARNES COUNTY  
STATE/COUNTY MILL LEVIES FOR 2012**

<b>Twp#</b>	<b>SD#</b>	<b>FD#</b>	<b>Entity</b>	<b>Valuation</b>	<b>Co-Wide</b>	<b>Twsp</b>	<b>School</b>	<b>Park</b>	<b>Fire</b>	<b>State</b>	<b>Total</b>
1	2		Alta	\$ 1,498,314	98.43	32.03	143.43			1.00	274.89
1	130		Alta		98.43	32.03	99.33			1.00	230.79
2	7	3	Anderson	\$ 816,317	98.43	18.00	115.21		4.72	1.00	237.36
2	7	17	Anderson		98.43	18.00	115.21		10.00	1.00	242.64
3	2		Ashtabula	\$ 1,913,343	98.43	15.68	143.43			1.00	258.54
3	7		Ashtabula		98.43	15.68	115.21			1.00	230.32
4	2	9	Baldwin	\$ 2,442,004	97.43	14.33	143.43		4.17	1.00	260.36
4	7	9	Baldwin		97.43	14.33	115.21		4.17	1.00	232.14
4	18	9	Baldwin		97.43	14.33	138.27		4.17	1.00	255.20
4	120	9	Baldwin		97.43	14.33	102.26		4.17	1.00	219.19
5	130	7	Binghampton	\$ 770,438	98.43	33.29	99.33		4.90	1.00	236.95
5	24	7	Binghampton		98.43	33.29	128.44		4.90	1.00	266.06
6	7	17	Brimer	\$ 694,113	98.43	27.00	115.21		10.00	1.00	251.64
7	2		Cuba	\$ 1,461,349	98.43	26.69	143.43			1.00	269.55
7	130		Cuba		98.43	26.69	99.33			1.00	225.45
8	7	1	Dazey	\$ 684,905	98.43	18.00	115.21		5.00	1.00	237.64
8	18	1	Dazey		98.43	18.00	138.27		5.00	1.00	260.70
9	2	17	Eckelson	\$ 926,640	98.43	27.00	143.43		10.00	1.00	279.86
9	7	17	Eckelson		98.43	27.00	115.21		10.00	1.00	251.64
10	7	3	Edna	\$ 1,381,387	98.43	33.30	115.21		4.72	1.00	252.66
11	2	9	Ellsbury	\$ 862,318	98.43	34.79	143.43		4.17	1.00	281.82
11	120	9	Ellsbury		98.43	34.79	102.26		4.17	1.00	240.65
11	160	9	Ellsbury		98.43	34.79	98.97		4.17	1.00	237.36
12	2		Getchell	\$ 856,620	98.43	39.08	143.43			1.00	281.94
12	7		Getchell		98.43	39.08	115.21			1.00	253.72
13	2		Grand Prairie	\$ 4,183,001	98.43	16.50	143.43			1.00	259.36
13	130		Grand Prairie		98.43	16.50	99.33			1.00	215.26
13	7		Grand Prairie		98.43	16.50	115.21			1.00	231.14
13	120		Grand Prairie		98.43	16.50	102.26			1.00	218.19
13	160		Grand Prairie		98.43	16.50	98.97			1.00	214.90
14	2		Green	\$ 794,547	98.43	36.00	143.43			1.00	278.86
14	7		Green		98.43	36.00	115.21			1.00	250.64
15	46		Greenland	\$ 788,524	98.43	36.00	94.10			1.00	229.53
16	2	17	Hemen	\$ 652,020	98.43	36.00	143.43		10.00	1.00	288.86
16	46	17	Hemen		98.43	36.00	94.10		10.00	1.00	239.53
16	7	17	Hemen		98.43	36.00	115.21		10.00	1.00	260.64
17	2		Hobart	\$ 1,773,273	98.43	21.61	143.43			1.00	264.47
17	7		Hobart		98.43	21.61	115.21			1.00	236.25
18	7	1	Laketown	\$ 677,252	98.43	29.06	115.21		5.00	1.00	248.70
18	18	1	Laketown		98.43	29.06	138.27		5.00	1.00	271.76
19	2	17	Mansfield	\$ 756,572	98.43	7.51	143.43		10.00	1.00	260.37
19	46	17	Mansfield		98.43	7.51	94.10		10.00	1.00	211.04
19	150	17	Mansfield		98.43	7.51	125.00		10.00	1.00	241.94
20	2		Marsh	\$ 1,568,042	98.43	18.00	143.43			1.00	260.86
21	46		Meadow Lake	\$ 733,290	98.43	36.00	94.10			1.00	229.53
21	150		Meadow Lake		98.43	36.00	125.00			1.00	260.43
22	130	15	Minnie Lake	\$ 732,046	98.43	36.00	99.33		3.57	1.00	238.33
22	160	15	Minnie Lake		98.43	36.00	98.97		3.57	1.00	237.97
23	2	11	Nelson	\$ 674,844	98.43	27.00	143.43		4.37	1.00	274.23
23	46	11	Nelson		98.43	27.00	94.10		4.37	1.00	224.90
23	130	11	Nelson		98.43	27.00	99.33		4.37	1.00	230.13
24	2		Noltmier	\$ 1,684,730	98.43	18.10	143.43			1.00	260.96
24	130		Noltmier		98.43	18.10	99.33			1.00	216.86
25	2		Norma	\$ 1,439,386	98.43	18.41	143.43			1.00	261.27
25	2	11	Norma		98.43	18.41	143.43		4.37	1.00	265.64
25	130		Norma		98.43	18.41	99.33			1.00	217.17
25	130	7	Norma		98.43	18.41	99.33		4.90	1.00	222.07
25	130	11	Norma		98.43	18.41	99.33		4.37	1.00	221.54
25	130	13	Norma		98.43	18.41	99.33		3.79	1.00	220.96
26	2	11	Oakhill	\$ 534,095	98.43	14.98	143.43		4.37	1.00	262.21
26	46	11	Oakhill		98.43	14.98	94.10		4.37	1.00	212.88
27	130	19	Oriska	\$ 867,796	98.43	24.20	99.33		1.46	1.00	224.42
28	7	21	Pierce	\$ 1,718,336	98.43	27.00	115.21		4.94	1.00	246.58
29	2	17	Potter	\$ 851,659	98.43	22.43	143.43		10.00	1.00	275.29
29	7	17	Potter		98.43	22.43	115.21		10.00	1.00	247.07
30	24	5	Raritan	\$ 1,107,078	98.43	18.00	128.44		5.85	1.00	251.72
30	24	13	Raritan		98.43	18.00	128.44		3.79	1.00	249.66
30	130	13	Raritan		98.43	18.00	99.33		3.79	1.00	220.55
31	7	1	Rogers	\$ 711,084	98.43	27.00	115.21		5.00	1.00	246.64

**BARNES COUNTY  
STATE/COUNTY MILL LEVIES FOR 2012**

<u>Twp#</u>	<u>SD#</u>	<u>FD#</u>	<u>Entity</u>	<u>Valuation</u>	<u>Co-Wide</u>	<u>Twsp</u>	<u>School</u>	<u>Park</u>	<u>Fire</u>	<u>State</u>	<u>Total</u>	
32	46		Rosebud	\$ 733,812	98.43	18.98	94.10			1.00	212.51	
33	2	1	Sibley Trail	\$ 886,136	98.43	18.00	143.43		5.00	1.00	265.86	
33	7	1	Sibley Trail		98.43	18.00	115.21		5.00	1.00	237.64	
33	18	1	Sibley Trail		98.43	18.00	138.27		5.00	1.00	260.70	
34	2		Skandia	\$ 607,009	98.43	29.65	143.43			1.00	272.51	
34	46		Skandia		98.43	29.65	94.10			1.00	223.18	
35	2		Spring Creek	\$ 775,078	98.43	18.00	143.43			1.00	260.86	
35	2	11	Spring Creek		98.43	18.00	143.43		4.37	1.00	265.23	
35	46		Spring Creek		98.43	18.00	94.10			1.00	211.53	
36	130	7	Springvale	\$ 743,556	98.43	27.00	99.33		4.90	1.00	230.66	
36	130	19	Springvale		98.43	27.00	99.33		1.46	1.00	227.22	
37	2		Stewart	\$ 1,191,371	98.43	20.14	143.43			1.00	263.00	
37	7		Stewart		98.43	20.14	115.21			1.00	234.78	
38	46		Svea	\$ 682,658	98.43	27.83	94.10			1.00	221.36	
39	2	11	Thordenskjold	\$ 1,185,865	98.43	24.45	143.43		4.37	1.00	271.68	
39	2	13	Thordenskjold		98.43	24.45	143.43		3.79	1.00	271.10	
39	46	11	Thordenskjold		98.43	24.45	94.10		4.37	1.00	222.35	
39	130	13	Thordenskjold		98.43	24.45	99.33		3.79	1.00	227.00	
39	24	11	Thordenskjold		98.43	24.45	128.44		4.37	1.00	256.69	
39	24	13	Thordenskjold		98.43	24.45	128.44		3.79	1.00	256.11	
40	7	21	Uxbridge	\$ 834,718	98.43	36.00	115.21		4.94	1.00	255.58	
41	2		Valley	\$ 2,370,202	98.43	25.80	143.43			1.00	268.66	
42	130	19	Weimer	\$ 763,220	98.43	32.76	99.33		1.46	1.00	232.98	
			<b>Total Twp Value</b>	<b>\$ 47,328,948</b>								
<u>City#</u>	<u>SD#</u>	<u>FD#</u>	<u>Entity</u>	<u>Valuation</u>	<u>Co-Wide</u>	<u>City</u>	<u>School</u>	<u>Park</u>	<u>Fire</u>	<u>State</u>	<u>Total</u>	
50	7	1	Cty of Dazey	\$ 59,513	98.43	38.62	115.21		5.00	1.00	258.26	
51	130	7	Cty of Fingal	\$ 90,997	98.43	62.99	99.33	13.19	4.90	1.00	279.84	
52	2	11	Cty of Kathryn	\$ 61,766	97.43	46.10	143.43	4.07	4.37	1.00	296.40	
53	7	3	Cty of Leal	\$ 77,132	98.43	38.54	115.21		4.72	1.00	257.90	
54	46		Cty of Litchville	\$ 189,794	97.43	45.28	94.10	5.91		1.00	243.72	
55	24	13	Cty of Nome	\$ 35,775	97.43	59.03	128.44	4.00	3.79	1.00	293.69	
56	130		Cty of Oriska	\$ 125,897	98.43	42.59	99.33			1.00	241.35	
57	120	9	Cty of Pillsbury	\$ 51,977	97.43	52.29	102.26		4.17	1.00	257.15	
58	7		Cty of Rogers	\$ 435,555	98.43	42.13	115.21			1.00	256.77	
59	7	17	Cty of Sanborn	\$ 221,839	98.43	75.15	115.21	4.17	10.00	1.00	303.96	
60	7		Cty of Sibley	\$ 182,977	98.43	38.00	115.21			1.00	252.64	
61	130		Cty of Tower City	\$ 29,055	98.43	30.48	99.33	13.28		1.00	242.52	
62	7	21	Cty of Wimbledon	\$ 325,799	96.91	82.24	115.21		4.94	1.00	300.30	
63	2		Cty of Valley City	\$ 12,579,361	95.43	94.69	143.43	40.80		1.00	375.35	
			<b>Total City Value</b>	<b>\$ 14,467,437</b>								
			<b>Total County Valuation:</b>	<b>\$ 61,796,385</b>		<b>Value of 1 Mill =</b>			<b>\$ 61,796.39</b>			
			<b>STATE &amp; COUNTY LEVIES</b>									
General Fund		22.50	Comp Health			1.62		<i>Leafy Spurge</i>			1.00	
Road & Bridge		0.50	Farm to Market			15.00		<i>County Park (less Kath,Litch,Nor</i>			1.00	
City County Health		4.05	Corrections			6.58		<i>Garrison</i>			1.00	
Advertising		0.25	Older Persons			2.00		<i>Library</i>			2.00	
Extension		2.33	Veterans Services			0.76		<i>Water Resources</i>			3.80	
Winter Show		2.50	Emergency			1.01		<i>Soil Conservation</i>			1.00	
Historical Society		0.75	Insurance Reserve			1.01		<i>Ambulance (less Bldwn/Pllsb)</i>			1.00	
County Poor Relief		14.17	2000 Bridge Sinking			2.00		<i>Air port (less Wimbledon)</i>			1.52	
Oasis & Soc Security		5.06	<i>Economic Development</i>			2.02		<i>State Medical Center</i>			1.00	
			<i>Weed</i>			2.00						
			<b>Fire Districts</b>									
<b>School Districts</b>			1 Dazey			5.00		<b>Park Districts</b>				
2 VC		143.43	3 Edna			4.72		27 Fingal			13.19	
7 BCN		115.21	5 Enderlin			5.85		28 Kathryn			4.07	
18 GCC		138.27	7 Fingal			4.90		30 Litchville			5.91	
24 End		128.44	9 Hope			4.17		32 Nome			4.00	
46 LMM		94.10	11 Kathryn			4.37		33 Sanborn			4.17	
120 Hope		102.26	13 Nome			3.79		35 Valley City			40.80	
130 MV4		99.33	15 Page			3.57		36 Tower City			13.28	
150 Mont		125.00	17 Sanborn			10.00						
160 Page		98.97	19 Tower City			1.46						
			21 Wimbledon			4.94						



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### **Senate Finance and Taxation Committee**

*January 23, 2013*

### **Testimony of North Dakota Farm Bureau on SB 2197**

*Presented by Tom Bodine, Director of Public Policy*

Good morning Mr. Chairman and committee members. For the record, my name is Tom Bodine and I am here representing the policies set forth by the members of the North Dakota Farm Bureau.

As would be expected the Farm Bureau stands in opposition to Senate Bill 2197. While we can understand the consternation with this exemption, we believe the exemption can be justified.

Those people living on farms and ranches across this state do not have the availability of services afforded urban residents. While we live there by choice we do not normally have the fire protection, police protection, and rapid availability to other emergency services of our urban counterparts. This not only is an inconvenience we have come to accept, but it also raises the cost of homeowners insurance. Furthermore, farmers and ranchers while paying taxes to the center of the road are expected to maintain the right of way of the road. It would seem to us the exemption of our dwellings from taxation is a small price to pay for the maintenance provided the county and township by farmers and ranchers.

We believe the farm home exemption would not be such an issue if the interpretation of the law was consistent. Farm Bureau can appreciate the difficulties local assessors face with politics and process. With hundreds of local assessors it's possible to have just as many variances in application as there are assessors. Farm Bureau has always supported uniform application of the law. We believe farm and ranch dwellings exempt under current law should remain exempt, we also believe those dwellings that do not qualify under current law should be identified and taxed as prescribe by law.

Thank you Mr. Chairman, I would be glad to answer any questions.

**SB 2197**

Good morning, Chairman Cook and members of the Senate Finance and Taxation Committee. For the record, my name is Julie Ellingson and I represent the North Dakota Stockmen's Association.

The North Dakota Stockmen's Association respectfully opposes SB 2197, which would eliminate the farm residence property tax exemption. Beef producers, as you know, are landowners and pay a significant share of property taxes. They, like most all North Dakotans, are grateful to the North Dakota Legislature for its commitment to explore possible remedies for property tax burden and, after the hard work of the Interim Tax Committee and you all, are expecting to see a meaningful property tax relief package emerge this session. They are certainly not expecting to see a property tax increase, which is what SB 2197 would deliver to many of my members, our state's farmers and ranchers.

A tax increase for those already making significant property tax contributions is probably never popular, but it would be particularly unpopular now, when the state is enjoying a surplus, thanks in part to agriculture's contributions to the economy, and after farmers and ranchers have experienced significant property tax increases with the recent capitalization rate revision.

The Stockmen's Association recognizes that farm homes are treated differently when it comes to property tax assessments, but farm homes are unique in a couple of ways:

1) Farmers and ranchers do not receive services on their homes, like water, sewer, paved streets, snow removal or quick-response fire or police protection; and

2) Farm homes do not carry the same value as homes located in urban areas because of their location. If you build a brand-new home on a farm, for example, the value diminishes the moment it is erected, since it cannot be resold the same as a lot in town. That's because the home is part of a larger farm unit, which cannot be easily separated, and, therefore, has little value all by itself.

Our current law is very clear about who qualifies (and who does not qualify) for the farm residence property tax exemption. We support strict enforcement of those terms, which helps to ensure that this exemption is applied as described in statute, with restrictions on application in cases when farming and ranching is not the primary job responsibility and individuals surpass the income thresholds outlined.

Furthermore, implementing a new tax for farm residences would create an enormous workload for assessors, since all farm homes would have to be assessed in order to add these properties to the tax rolls. With all the growth and development in the state, assessors are already strapped for time. Plus, the initial assessments would be difficult to conduct as there are generally few, if any, comparable sales within an area.

For these reasons, committee members, the Stockmen's Association respectfully opposes SB 2197 and asks for your do-not-pass recommendation on it.



Your voice for wheat and barley. [www.ndgga.com](http://www.ndgga.com)

## North Dakota Grain Growers Association Testimony on SB 2197 Senate Finance and Tax Committee January 23, 2013

Chairman Cook, members of the Senate Finance and Tax Committee, for the record my name is Dan Wogsland, Executive Director of the North Dakota Grain Growers Association. I appear before you today on behalf of the North Dakota Grain Growers Association to oppose SB 2197.

The bill before you today reverses long-standing tax policy regarding the taxation of farm homes in North Dakota. This policy has discussed and discussed time and again in this Committee and on the Senate floor but the conclusion of which remains the same, the present law which has stood for decades remains the most viable, enforceable and workable tax policy for the state. Current law, when properly administered, provides local taxing districts the wherewithal to enforce the current structure of maintaining the intent of current tax law while at the same time provides the latitude to address inequities that are perceived by the detractors of current farm home exemption policy.

Mr. Chairman, members of the Senate Finance and Tax Committee, agriculture in North Dakota has witnessed arguably the best of times in state history. The 2012 crop year was historic in many respects. At the same time a cloud of uncertainty looms over our state's number one economic engine. While we in agriculture acknowledge that all segments of our state's economy are subject to the whims of federal policy as well as economic uncertainty no one economic engine in North Dakota is impacted more by federal policy coupled with uncertain outside forces such as weather and market trends than agriculture. In an era where the state and arguably the political subdivisions of the state have the means necessary to carry out their respective missions it makes little sense to NDGGA to make the radical change in tax policy contained in SB 2197.

Therefore, Chairman Cook, members of the Senate Finance and Tax Committee, the North Dakota Grain Growers Association respectfully opposes SB 2197 and we would urge the Committee and the Senate to concur.

*NDGGA provides a voice for wheat and barley producers on domestic policy issues – such as crop insurance, disaster assistance and the Farm Bill – while serving as a source for agronomic and crop marketing education for its members.*