

**2013 SENATE FINANCE AND TAXATION**

**SCR 4030**

# 2013 SENATE STANDING COMMITTEE MINUTES

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

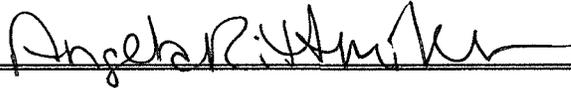
SCR 4030

3/6/2013

Job Number 19524

Conference Committee

Committee Clerk Signature



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

A concurrent resolution to amend and reenact sections 5 and 15 of article X of the Constitution of North Dakota, relating to uniformity of property taxation among classes of property and requiring use of assessed value as the actual value of property for property tax purposes; and to provide an effective date.

### Minutes:

**Vice Chairman Campbell** opened the hearing on SCR 4030.

**Chairman Cook** introduced SCR 4030.

**Vice Chairman Campbell** - We just had a forum back in Grafton on Saturday and we presented that we eliminate the mills and put in the dollars and people were very receptive to that as we talked. You know this more than I do the variances of taxes from agriculture in the 1980's that were the bust years when things went down and now Ag is good so would you just reflect changing that percentage let's just say it's 1.5% you would just change the percentage then instead of mills so over the course of time let's say Ag comes back down again to adjust less taxation on land, would you just change that percentage since the mill levy wouldn't be here?

**Chairman Cook** - Instead of figuring out your taxes of mills which is a thousandths of your taxable value or your assessed value we would be talking in cents. We don't want to get effective rate mixed up with cents and mills. Effective rate is actually what; if you divide your taxes by the value of your property you get your effective rate. They are 2 different things. But I understand Ag property, the production formula the formula is designed to do just what it is doing, take it down. (5:44)

**Senator Miller** - If we balance it out on classification of property, I'm looking at the last 3 years, every classification property their effective rate went down. So, is that what we should be looking at, the effective tax rate or should we be thinking about some different kind of measure as to how we want to keep some things in balance?

**Chairman Cook** - You raise a very interesting topic. When we talked to constituents about their taxes and when they talked to us about their property tax they talk in the dollar value. When you talk to local government people, County Commissioners, City Commissioners,

school board members, etc. and they talk about property tax relief they tend to talk in mills. I think we sitting here in this state policy arena, we need to look more at the effective rate. I think you said it correctly in the last few years the effective rate has gone down for all classifications of property it's gone down substantially and that is the result of the mill levy buy down that we put in place. (7:51)

**Senator Dotzenrod** - It looks like on page 1 at the bottom you have changed the definition of assessed value and it appears that's why then on page 2 line 25 we are changing 5 to 2.5 and I'm not sure why 3 gets changed to 4 on line 27 but I think that is why 5 is change to 2.5 because the assessed value definition has changed.

**Chairman Cook** - Your correct, assessed value is 50% of true and full value so if we get into our bonded debt limitations we'd have to cut that number in half also then.

**Senator Dotzenrod** - On page 2 line 4, where you refer to effective tax rates for classes of property, are you measuring effective tax rates there as taxes collected in dollars as a share of the value for tax purposes of that property, is that what tax rate is?

**Chairman Cook** - Taxes collected in dollars as a share of the true and full value from the property.

**Senator Triplett** - Didn't you just say we are getting rid of the concept of true and full value in this?

**Chairman Cook** - Yes we are, but the effective rate that I'm talking about within 4 and 5 has to do with as it's compared to now, the effective rate compared to true and full value.

**John Walstad, Legislative Council**, gave some background on the confusion and problems that lead to SCR 4030.

**Chairman Cook** - The voters I agree don't understand the current tax system. I sat down with a maintenance guy upstairs Friday and he said "I'm not getting any tax relief, can you explain why"? So I explained why and then I broke down true and full value etc. and he looked at me like I was goofy. They don't understand that, how in the world are we going to ever educate them on to what this constitutional measure says so they would vote for it? It isn't going to happen.

**John Walstad** - That is one of the problems with changing the constitution. If the legislature sees this as the right wisdom and the right path to follow and approves it, it goes on the ballot and it has no constituents no promoting group nobody to go out and tell people what a swell idea it is. In that respect, initiated measures have somewhat of an advantage. How you solve that, I don't know.

**Chairman Cook** - If people don't understand it, they are going to vote no.

**John Walstad** - Yes that is the reaction.

**Chairman Cook** - There is a bill that came over from the House that I thought eliminated mills and goes to...

**John Walstad** - Instead of mills the mill 'thing' has to be expressed as a percentage or something in cents and so on but it really won't change a lot because we still have this 3 tier thing where we get down to putting the mill rate against taxable value so if I implement that legislative provision and go through the code everywhere it says 40 mills I'm going to put it in as a decimal. (25:57)

**Chairman Cook** - They are not going away.

**John Walstad** - So we aren't going to say it's a mill but it's the same math. I can't change any of those numbers because the values are carved in stone and it doesn't change any of that. (26:24)

**Vice Chairman Campbell** - What are other states doing?

**John Walstad** - You would think I would be familiar but I'm not. I have the same problem when I look at their property tax laws that they would have if they looked at ours. What is true and full value, what do we call that in our state and what is a mill and what is it applied against. I really don't know. Marcy Dickerson might be able to give you an answer but I'm afraid I can't.

**Senator Triplett** - On the delayed effective date you implied that it would be a serious amount of work after the 2014 general election to get a bill draft ready with all the changes necessary for the 2015 session. Is there any argument to do a further delay to December 31, 2017?

**John Walstad** - That's a policy decision that I think the committee will have to address. The other possibility is leave the date sequence as it is here and maybe have a separate study directive for an interim committee to get the work looking at how much stuff would have to be changed if the voters do approve this thing.

**Senator Triplett** - On page 2 lines 4 and 5 subsection 3 where it says the legislative assembly shall insure that the variance among effective tax rates for classes of property does not exceed 20%. It occurs to me that you could interpret that 2 different ways. Take a dollar amount for the lowest one and add 20% you would get a slightly different number than if you took the top one and subtracted 20%. How did you mean it?

**John Walstad** - My intent in drafting that was that, first of all, an effective tax rate is the total dollars you pay in taxes on a property divided by the actual value of that property. That rate currently runs from 1.24% - 1.73%. What I was intending was the variance, that's the low number to the high number, that is what I view as the variance would not be more than 20%.

**Chairman Cook** - When you and I were talking about this we kind of pulled that out of the air. We had other ideas we thought about like a median where it had to be either no less

than 20% below that or 20% above that. This is more like a placeholder language to have the discussion.

**John Walstad** - The 20% number I kind of flung in there because I was thinking of the 1.5% cap that we were looking at in the legislation that Chairman Cook mentioned and from that 1.5% number you could go 10% either way and then you would have a range. (31:52)

**Senator Triplett** - I was discussing the concept of whether you start at the bottom. Take the lowest number and then make sure that the highest one doesn't exceed it by more than 20%. It's written a little loosely because if you took it from the opposite direction and started at the top and reduced it by 20% you get a different number. I think we just need to crisp up the language.

**John Walstad** - There is a problem saying 20% when you don't say what it is 20% of.

**Chairman Cook** - As one classification of property can see its value go up or down based on a formula it causes consequences to the other classifications of property. As it goes down it shifts the tax burden to the other classifications. As it goes up the shift is the opposite way. That is all due to the fact of another piece of legislation in 1981 that was implemented then dealing with how political subdivisions build their budgets. That is what I believe causes that to happen. We can't stop this classification of property from doing what the formula is supposed to have it do, is there anything we can do to stop this shift?

**John Walstad** - That is a difficult question. If that shift were to be prevented it would probably require a mill rate tweak within a single class so that the mill rate might be...

**Chairman Cook** - We can't do that.

**John Walstad** - No, I don't think so because we have the uniformity provision. So I don't think we can have a different mill rate but as the values change relative to one another among classes of property the same mill rate applied is going to cause that shifting you're talking about. I don't see how to avoid that.

**Senator Dotzenrod** - For residential and commercial property we start with the term true and full value which is supposed to reflect some range that is fairly tight to market values. On agriculture where we use the productivity value, is it appropriate to call that starting number true and full value? Its value for tax purposes is true and full value. Which is quite distinct and different from market value.

**John Walstad** - Absolutely

**Senator Dotzenrod** - So true and full value has a meaning on Ag land when we are talking about, that is the correct term, what the productivity formula would yield in terms of a value on that land.

**John Walstad** - Yes, there is a section of law that lays out the formula for productivity for Ag land and then there is a provision that says that the value for Ag land as determined

under that formula and then equalized and spread among properties by assessors that is the taxable value for Ag land.

**Senator Dotzenrod** - And they use the term true and full in that section? That definition?

**John Walstad** - I think that that productivity value number under the formula is defined to be the true and full value of the Ag land and then you take the 50% and then the 10% to get its taxable value.

**Keith Magnus, North Dakota League of Cities** - I have been listening to the dialog and we are not necessarily opposed to the concepts because they have been talked about and really think that the tax policy should remain with the legislature and I think we are really ahead of ourselves putting these things in the constitution. There are a lot of tax experts in the room and I don't claim to be one but I think we are a ways away from doing stuff with the constitution. Eventually if you do change some concepts you are going to have to do some constitutional things, but we've got a lot of work to do and you can keep putting off the effective date and hope the legislature catches up with these things. If you put it in the constitution, you don't get it back. I think we need to do the work before we go to the constitution, whether that is a study, or whatever. (38:51)

**Chairman Cook** - So you think we need to go ahead and draft the legislation that would be needed to be put in place knowing that it's unconstitutional and then once we get it drafted see if we can't go before the people to change the constitution so we can pass it?

**Keith Magnus** - There may be a lot of things you can do without changing the constitution. (39:41)

**Scott Rising** - I've got more questions than answers, but let me suggest this. One page 2 lines 4 and 5, the shifting scenario, part of the advantage with the current Ag production process is that it dampers that shifting to some degree. How do you sell this? Perhaps what the League of Cities was just suggesting has some value here from the standpoint if you pull together a group to help advocate for this. The reality is that there is parts of this that I think are very good and there are parts of it that I still have some questions. (42:15)

**Eric Asmundstad, North Dakota Farm Bureau** - We start talking about mills and percentages and it's all about the same. If it quacks like a duck it probably is. Yeah you're changing the math, to me its semantics. I think when the taxpayer looks at it, I agree I think this would have a tough time on the ballot because people don't understand it now; they are not going to understand this. What people understand is their property tax is too high. That's what they understand. It doesn't matter if we change the formula, it doesn't matter what we do, and the message that has resonated is our property taxes are too high. I don't see anything wrong with changing the math, math is math, you can move decimal points around on both ends of this thing and still come up with the same number at the end of the day. At the end of the day the number is still too high. (45:26)

**Chairman Cook** - Don't you think it helps if they understand the math?

**Eric Asmundstad** - Certainly it helps.

**Chairman Cook** - We've been hearing all session nobody understands mills, get rid of mills.

**Senator Miller** - How important do you think listing all this different tax jargon in the constitution is?

**Eric Asmundstad** - I truly do believe that the tax law and tax policy needs to rest in the legislature. I think we would caution pretty sternly that before we want to lock tax policy into the constitution where it's essentially untouchable we really have to know what we are doing. (47:45)

**Sandy Clark, North Dakota Taxpayers Association** - Frankly it is a little difficult for us to know should we be neutral or should we oppose. We would always support any kind of legislation or effort to simplify tax code and make things easier for taxpayers to understand but I stand today opposed to page 2 lines 4 and 5 which we have talked about extensively. I guess I would suggest that that's a bit much to put into the constitution. If in your wisdom you think there should be some kind of limitations that should be done in statute not in century code. Also I would comment that as I read this it says variance among effective tax rates. My comment would be tax rates at what point? I have always maintained it's very difficult to establish tax policy based on state wide averages because every taxing district is different and so I believe you are going to have a different effective tax rate in every taxing district. At what level are you saying where the variance is going to be and then who makes that determination? From that perspective alone I would say that would be better stated in the statute rather than the constitution because you may find you have to change that. (52:19)

**Richard Schlosser, North Dakota Farmers Union** - I think a lot of things I had to say have been raised with respect to placing this issue in the constitution. We feel that if this were statutory we would be able to deal with some of the issues that may arise in the meantime with respect to the differences of properties and so forth. I think the point also that came up is how do you sell this with how complicated this is, how do you bring this forward in a measure. We know how that goes sometimes in those campaigns. I think the other thing is obviously we have some concerns with lines 4 and 5 on the second page there with regard to how do we, the variances there with the 20%. I think Senator Triplett raised a good point about, yes, this is a complicated issue, we sit here all session talking about simplification and mills are complicated, assessed values are complicated, true and full value and then that 3 tiered level of how we arrive at the tax are complicated. Taxes are complicated, especially when you think you are paying too much. We just have some reservations with this a little bit. It goes a little bit too far too fast. (58:49)

**Chairman Cook** - When do you think property taxes are no longer too high? What should be a fair effective rate for residential property owners?

**Richard Schlosser** - Effective rate, again that is pretty much a new term for me. I'm like every other taxpayer; I look at the bottom line.

**Chairman Cook** closed the hearing on SCR 4030.

# 2013 SENATE STANDING COMMITTEE MINUTES

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

SCR 4030  
3/11/2013  
Job Number 19723

Conference Committee

Committee Clerk Signature

*Angela Rittmiker*

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

A concurrent resolution to amend and reenact sections 5 and 15 of article X of the Constitution of North Dakota, relating to uniformity of property taxation among classes of property and requiring use of assessed value as the actual value of property for property tax purposes; and to provide an effective date.

### Minutes:

**Chairman Cook** opened discussion on SCR 4030.

**Chairman Cook** - I would propose if you are all willing, that we amend this bill to take out lines 4 and 5 on page 2 and then I would hope that we could pass this resolution.

**Senator Miller** - I will move your amendment.

Seconded by **Senator Oehlke**.

### Verbal Vote 6-0-1

**Senator Miller** - My thoughts and feeling on this whole area of the constitution is that one needs to really examine what it is that we are doing in the constitution. Probably 90% of the section of the constitution could be eliminated and this is something for putting it in century code not for the constitution. The constitution needs to be there to protect individuals and I think much of what that section of code is doing is protecting government and not the individual taxpayer and it sets up roadblocks to try and find solutions for problems that we often come about. It's more of a commentary on the constitution not so much on the resolution.

**Chairman Cook** - As I read this I would argue that the constitution protects the taxpayer, but our century code has gone a long way to protect local government.

**Senator Miller** - If you look at what is written in this resolution, it's pulling out certain sections but you go back to the constitution and actually read the whole thing, all kinds of references to property taxes and how they are levied and it essentially outlaws the state from levying a property tax except the one mill that is in the constitution. Its sets it up in a

way that I think makes it prohibitive for the legislature to make any kind of changes that the people are asking for at this point. I see it as a local government protection not as a taxpayer protection measure. Not referencing this resolution but as that section of code.

**Senator Dotzenrod** - On page 2 line 19, fixing the situs of all property, that means where it is located, is that what that means? Or is that you can set different standards?

**Chairman Cook** - All of residential property in the same taxing jurisdiction will have the same mill rate.

**Senator Miller** - I'll move a **Do Pass as Amended**.

Seconded by **Senator Burckhard**.

**Senator Dotzenrod** - On page 1 line 22, that is where you have the assessed value, is there currently a definition of assessed value in the constitution?

**Chairman Cook** - No, I believe it's century code, but if you remember that 1991 supreme court ruling when the railroad sued the state over the valuation of their property and to come up with a solution that is when they created true and full value and assessed value and put those definitions in code.

**Senator Dotzenrod** - If the current definition of assessed values is in the century code couldn't we change the century code? Do we need to make the change in the constitution to describe assessed value?

**Chairman Cook** - I would say yes.

**Senator Oehlke** - This doesn't give you a choice to how your property is assessed though.

**Chairman Cook** - The only intent of this amendment to the constitution is not to change any tax policy, it's just to move us so we can move away from mill levy and go to cents.

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

Carried by **Chairman Cook**.

13.3096.02001  
Title.03000

Adopted by the Finance and Taxation  
Committee

March 11, 2013

*JFC*  
3-12-1

PROPOSED AMENDMENTS TO SENATE CONCURRENT RESOLUTION NO. 4030

Page 2, remove lines 4 and 5

Page 2, line 6, replace "4." with "3."

Page 2, line 10, replace "5." with "4."

Page 2, line 14, replace "6." with "5."

Page 2, line 16, replace "7." with "6."

Page 2, line 18, replace "8." with "7."

Renumber accordingly

Date: 3-11-13  
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 4030

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.3096.02001 Title 03000

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

Motion Made By Senator Miller Seconded By Senator Oehlke

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

Total (Yes) 6 No 0

Absent 1

Floor Assignment \_\_\_\_\_

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

Verbal vote

Date: 3-1-13  
Roll Call Vote #: 2

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 4030

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
Chairman Dwight Cook	X		Senator Jim Dotzenrod	X	
Vice Chairman Tom Campbell	X		Senator Connie Triplett		
Senator Joe Miller	X				
Senator Dave Oehlke	X				
Senator Randy Burckhard	X				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Senator Cook

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

**REPORT OF STANDING COMMITTEE**

**SCR 4030: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SCR 4030 was placed on the Sixth order on the calendar.

Page 2, remove lines 4 and 5

Page 2, line 6, replace "4." with "3."

Page 2, line 10, replace "5." with "4."

Page 2, line 14, replace "6." with "5."

Page 2, line 16, replace "7." with "6."

Page 2, line 18, replace "8." with "7."

Renumber accordingly

**2013 HOUSE FINANCE AND TAXATION**

**SCR 4030**

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SCR 4030  
March 20, 2013  
Job #20208

Conference Committee

Committee Clerk Signature

*Mary Brucker*

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

A concurrent resolution relating to uniformity of property taxation among classes of property and requiring use of assessed value as the actual value of property for property tax purposes.

## Minutes:

**Chairman Belter:** Opened hearing on SCR 4030.

**Senator Cook:** Introduced bill. This is to remove the word "mills" and go to "cents" on property tax statements. In 1979 we didn't have different classifications of property but we had property tax code in place that treated different classifications differently. Back then most of the property was assessed far below market value. A lot of it was being assessed at about 10% of true and full value except for railroads. It was very politically correct back then to raise the assessed value of these railroads because they didn't have any voters in the state. The Sioux line railroad sued the state of North Dakota and was successful. The 1991 legislature had to craft legislation that would react to that lawsuit which brought about true and full value and the assessed value would be half of what true and full value is then take their factors times the assessed value to determine the taxable value and then the mill rate times the taxable value to get your taxes owed. People today don't understand what a mill is which is .001. Mr. Walstad drafted this bill for me. He said that if we truly move away from mills then we have to make these changes. Property taxes must be uniform amongst the same classes of property including franchise within territorial limits. Senator Cook reviewed the bill version .03000. We will eliminate the words "true and full value" in the tax code. It does nothing to change existing law except that it would remove the word "mills" and go to "cents." Hopefully this will make the bill simpler to understand.

**Representative Kelsh:** Under section 1 subsection 2 I don't see language in there where it says it eliminates the word "mills" and includes "cent".

**Senator Cook:** In subsection 2 you will see the word "per centum." By putting in assessed value everything else should fall into place.

**Representative Drovdal:** In section 2 page 2 on line 26 and 27, if we are saying assessed value is now true and full value are we doubling the debt limit if we don't change that to

2½%? Maybe the 5 needs to be changed to 2 ½% since the assessed value will be doubled?

**Senator Cook:** No but I can't give you an answer right now. Maybe the tax department could assist with this.

**Marcy Dickerson, State Supervisor of Assessments:** You must have a more current copy of the bill than I have. At 2 ½% by vote they can double it up to 5%. Without a vote they are the same as they are now.

**Representative Drovdal:** But when I look at this it changes the meaning of true and full value.

**Marcy Dickerson:** I think that is covered on line 23 on page 2. They can't be over 2 ½% but they can vote to receive that.

**Senator Cook:** That's the way I see it too.

**Chairman Belter:** Does this change the whole process when figuring out the property taxes by dividing the valuation by ½ and multiply it by 9 or 10% then that will do away with that whole process?

**Senator Cook:** This will do away with the process of dividing by two. You will have assessed value and taxable value times cents.

**Representative Froseth:** On page 2 line 25 the old language says by 2/3 vote and they may increase indebtedness by 3% and the new language says to 4 percent.

**Senator Cook:** We're going from two to four?

**Marcy Dickerson:** I'm having a little trouble with that sentence too. The difference between the three and four is the language is different. Under the existing language a city may by 2/3 vote increase such indebtedness three per centum so that means you can increase it by another three percent. The new language says they may increase the debt limit to four percent so it's either increasing by four or to four and I see a difference there.

**Vice Chairman Headland:** If they are capped at 2 ½% and if you go from 3 to 4 you're getting that full three per centum increase, it's just coming by one and a half.

**Marcy Dickerson:** I think you're right.

**Senator Cook:** I encourage you to have Mr. Walstad look at this.

**Representative Zaiser:** How many other states are doing this and are they experiencing problems with the conversion out of mills and into actual value?

**Senator Cook:** Representative Owens testified on a bill in the senate yesterday and said thirty three states have now eliminated mills. Maybe Representative Owens should answer that question.

**Representative Owens:** Thirty three currently and no problems so far. I'm trying to make North Dakota the thirty-fourth.

**Representative Trottier:** We're all used to hearing mill levies so what are we going to call it now?

**Senator Cook:** Cents on a dollar. Call one of those 33 states and see what they call it.

**Representative Owens:** Out of those 33 states some of them do it per hundred, some do it per thousand, and some do it as a percentage of dollars. You could do it any one of those three ways as long as you don't use the word mill again.

**Representative Froseth:** This bill would have to go in effect the same time Representative Owens' bill.

**Senator Cook:** I don't think that's the case. I think Representative Owens' bill still requires mills. It will just change it to a mathematical fraction and we're going to say it's .001.

**Representative Owens:** This is the perfect change to the constitution to compliment. This bill doesn't need my bill and my bill doesn't absolutely need this. It is a mathematical formula in my bill to change the discussion away from mills to talking a percentage of dollars and to eliminate the word mill. It doesn't change the fact that we're sitting with true and full and assessed value at half percent, this simplifies the process even more and puts it in everybody's language.

**Chairman Belter:** Any other testimony in support of 4030? Any opposition to 4030? Any neutral testimony on 4030? Anymore questions of the tax department? If not, we will close the hearing on 4030.

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SCR 4030  
March 25, 2013  
Job #20403

Conference Committee

Committee Clerk Signature

*Mary Brucher*

## Minutes:

*No attachments.*

**Chairman Belter:** Re-opened hearing on SCR 4030 as hearing wasn't posted last week when we initially heard the resolution. There were a number of requests to reopen this hearing.

**Keith Magnusson, North Dakota League of Cities:** OPPOSITION. This is amending the North Dakota constitution. I consider this tax policy and this is something the legislature can decide if they can and not the people decide tax policy. We've had people attempt to decide on tax policy before and it hasn't really worked out too well. We think that changing the constitution should be the last thing you do. I would encourage you to look at the laws first. It is hard to change the constitution but it is very hard to undo it. If this passes there would be many parts of the century code that would need to be changed. There is a delayed effective date that would give you one session to take care of all these things. If this doesn't pass do you give up on the concept? We don't have any objections to the concept but we think we need to talk about it and study it first. I wish we had a constitutional revision committee to really take a look at these types of issues.

**Chairman Belter:** Further testimony?

**Sandy Clark, North Dakota Taxpayers Association:** OPPOSITION. Our major concern is on page 1 line 21 where it says the assessed value must be determined for all property. Our concern is with the language "all property." This is a finite statement meaning that all exempt property and in lieu of taxes property would have to be assessed. This is a time when you're trying to reduce property taxes rather than increasing them and if everything had to be assessed I think the local assessors would have quite a time. This would take a lot of human resources and money for local assessors to do this and it would increase taxes rather than reduce them due to this. If you're not going to do it then why would you want to put it in the constitution? Maybe we should look at removing it instead. We support legislation that would simplify the tax process and property tax reform but we believe this is a major change and we think it should be discussed further before going into the constitution. We think there needs to be overhaul in a lot of areas but if you start putting something like this in the constitution then you've limited the ability to do some other comprehensive property tax reform effort. If the issue is that you want to change mills to dollars then changing the true and full value into the assessed property would do that.

HB1465 is still alive and that bill changes mills to dollars so if that was an issue maybe that would be more prudent to pass 1465 rather than put this in the constitution.

**Representative Schmidt:** On page 2 line 12 I realize it doesn't include farmsteads.

**Sandy Clark:** The way I would interpret this is that it appears to be a finite statement. The constitution allows for exemption but it must be assessed even if it's exempt.

**Representative Froseth:** I saw the same thing as Representative Schmidt. The exemptions would not remain exempt in this updated version where the language is stricken.

**Sandy Clark:** It says "shall remain enforced."

**Chairman Belter:** Maybe more of these specific questions could be answered by someone else.

**Representative Owens:** You testified against 1465 and now you say you support 1465?

**Sandy Clark:** That is correct. If you recall HB 1465 was dramatically amended and we are now supporting it.

**Chairman Belter:** Further testimony on 4030?

**Eric Aasmundsted, North Dakota Farm Bureau:** OPPOSITION. We would agree with what Sandy said. We see the word "all" as meaning everything. We read it as it requires the assessment of all property even though some property would remain tax exempt. We're not sure why we'd want to go away from full and true value. We don't know if something like that should be codified in the constitution. One of the biggest questions we have in this bill is what's an assessment ratio? It's been explained to me that it's the 9 and 10% that exists between residential and the other classes of property but that's not a ratio, it's just a multiplier for the formula. We could see an assessment ratio being a comparison between exempt property and nonexempt property, a comparison to see where we'd have to bring tax up on exempt property, or used as a comparison between classes of property. If this had to pass and go on the ballot one of the changes we would like to see is on page 1 line 24 and change the word "may" to "shall" and to forever guarantee the agriculture property is assessed through productivity rather than comparable sale.

**Representative Owens:** Did I hear you say you didn't know why we wanted to go away from full and true value?

**Eric Aasmundsted:** We don't understand why you'd want to change the formula in this fashion in the constitution. Right now assessed value is 50% of true and full value so do we really want to make the assessed value the true and full value?

**Representative Owens:** That's what this is doing.

**Chairman Belter:** Any other testimony on 4030? John, will you take the podium?

**John Walstad, Legislative Council:** NEUTRAL. Senator Cook approached me and was interested in resolving the constant confusion of property taxes being imposed based on the number of mills levied against the taxable value of property. The taxable value of property is basically 5% of its real value for everything but residential and for residential it's 4 ½% of its actual value. We've developed this true and full value method of 50% is assessed and 9 and 10 is the taxable then your mills go against that. There is one reference in the constitution to assessed value and that is the debt limit that applies for political subdivisions which is discussed in the second session in this bill. The math to figure out what your property tax bill is on that basis is pretty dang hard. Senator Cook asked if there was a way we could get away from using that 9 and 10% thing and the 50% and the mills against that but the constitution needed to tweak in order to do that. This draft does nothing but changes mathematics. This would take that assessed value that is now 50% and make that the 100% of value number for all property. There would need to be no taxable value number. The property tax levy rate would apply to the full value of property with the advantage being all of those mills rates which is a tenth of a penny would be multiplied times 20 so that tenth of a penny would become two cents. The beauty of two cents is its 2% and tax rates would be in percent of your actual property value. Residential property is 9% of assessed value, everything else is 10% which is why the language is included on page 2 about an assessment ratio. Everything can be assessed at 100% and residential could be assessed at 90%; that's a ratio. Somebody has to go through all these references if this is adopted and the delayed effect of the draft will provide one legislative session and one part of a legislative interim to accomplish that. It will be a lot of work and a fat bill but it's a reset to try and get at that problem of mills against taxable value and the horrendous math that's involved. On page 1 line 21 we have a statutory provision that all property has to be assessed. It has been widely ignored since it's been enacted. All property includes road beds and things like that. It should be up to the legislature to see what is assessed. For all property as provided by law may be better language and would allow the legislature to tell assessors they want value for this stuff and this stuff we don't really care about. On page 2 lines 12 and 13 this is an absolute exemption constitutionally provided so this kind of property the land is exempt as well as the buildings. On page 2 line 4 this is the part of the constitution that allows the legislature to make some decisions on exemptions. Mr. Walstad continued to review the bill.

**Representative Drovdal:** In section 2 line 25 it was increased to 4 per centum and the next line the debt limit was 5% so it would be doubled indebtedness?

**John Walstad:** The reason I did that was because the language in here was stupid. This means they could kick it up to 8% with voter approval and 8% would be that 4% that I've inserted instead of this thing about 3 per centum upon such 5 per centum. Mathematically it's the same limit but cut in half. Now the city could go 2 ½% and the voters could allow an increase of that to 4% and 4% with assessed value doubled is what 8% used to be.

**Representative Drovdal:** It says they can increase it by 4 per centum and 4 per centum increase on the now new assessed value which would be full and true value would be equal to 8% plus the 2 ½ per centum that they got earlier and they could increase it by that amount not up to that amount.

**John Walstad:** The old language said they can increase the indebtedness and I've changed it now so it says "increase its debt limit to 4%" not increase it by 4 percent.

**Representative Schmidt:** How do you get an assessed value without a full and true value?

**John Walstad:** I would envision the assessor to perform the same function as now and put an actual value on property based on the law and that determination is now called the true and full value and we cut it in half and it is assessed. The only reason we have to do that step is because of that constitutional 5% debt limit. Doubling assessed to true and full won't change the math it's just changing the name of what we call it in law. We won't need that cut in half step nor the step jumping to 10% of half is the taxable so we're just shifting from true and full to assessed. The property tax rate would apply to that full value of property with the exception of residential which would have an assessment ratio of 90% and that number is where the tax rate would go for residential property.

**Representative Schmidt:** I can't visualize the formula.

**John Walstad:** The formula we have now has three levels of values and this method would allow the legislature to change those statutory provisions so there wouldn't have to be a determination of those three levels of value. There would be one determination and that would be what that property is actually worth market value for all property except agriculture land. The legislature could continue to have a productivity formula for agriculture land and that would be the assessed value for agriculture land. We would just have one valuation number for property, one tax rate set by taxing districts and it would be a percent of that assessed value which is now what we call true and full. It just cuts a lot of math out of the mixture without changing much. It would reduce any property tax; the levies would be in percent of full value.

**Representative Owens:** Right now with a \$100,000 house the assessed value is \$50,000 and 9% of that is \$4,500 and now if I use Grand Forks mills it is 408.1. We put this into action and this \$100,000 but it's only 90% so it's \$90,000 times 40.81 percent is my taxes.

**John Walstad:** True.

**Representative Owens:** All we did was simplify the formula.

**John Walstad:** True.

**Representative Owens:** Now every homeowner can understand how their taxes are figured without having someone explain the formula to them.

**John Walstad:** True and doesn't 40% sound a lot scarier than 400 mills? I guess it would be 20% instead of 40% or would it be 80 percent?

**Representative Zaiser:** How is the general public going to interpret this if we're having troubles understanding it?

**John Walstad:** That is a huge question mark. I'm not sure how the general public is going to understand this. There are some groups and some media that puts out information so people can understand things but that would still be hard to do. To understand this change you would have to understand current law that nobody really understands.

**Representative Zaiser:** I'm sure there will be folks to objectively try and understand this but there will be people that will intentionally confuse it or escape the issue.

**John Walstad:** I don't want to attribute a bad motive to anybody but it is a real possibility.

**Vice Chairman Headland:** We are trying to calculate this out. Explain the change between the current mill rate and what you'll be multiplying the assessed value in the new formula.

**Representative Owens:** If true and full value is \$100,000 then the assessed value is \$50,000.

**John Walstad:** Correct.

**Representative Owens:** If it's a residential property its 9% so it's \$4,500 taxable value. Then this is where you get into mills versus percentages. Then to determine taxable value the only difference there would be \$100,000 times 90% would give you \$90,000 so you're taxable value at that point would be \$90,000 rather than \$4,500.

**John Walstad:** Yes but it doesn't really need to be called taxable.

**Representative Owens:** Then it's just how the mills/percentages are determined.

**John Walstad:** The value that the rate goes against would increase 20 fold so one mill times 20 would be two percent. But we have to divide that by twenty.

**Representative Owens:** We have to go backwards rather than forwards on the percentage.

**Vice Chairman Headland:** We need to see how this lays out and how to determine what that number is.

**John Walstad:** It would probably be useful if I wrote it out on paper.

**Representative Owens:** We have to cut the percentage in half before we multiply and it comes out to the same tax.

**Representative Froseth:** You have your final total tax bill of \$1,500 on a \$100,000 house then how do you divide that out amongst the different taxing entities in your area?

**John Walstad:** The split would be exactly as it is now but the math would be simplified a bit.

**Chairman Belter:** When you shift from the mills to a percent and if you're talking about 20 mills and make that calculation but when you get to 1 mill then you really get to a small percentage.

**John Walstad:** Absolutely. When you get to HB 1465 those things are required to be stated as a percentage of taxable value which will be relatively small numbers. When you've got a statutory provision that says you can levy one mill it would have to be changed to say you can levy .001 per dollar of taxable value. The math is still the same.

**Representative Owens:** Or in other words a dollar per thousand.

**John Walstad:** I haven't undertaken doing that yet but after session I will figure out how to do it.

**Representative Dockter:** Whatever mills a school district has now is 50% of your real estate taxes you're just changing a percentage then instead of the mills?

**John Walstad:** Yes, basically.

**Representative Dockter:** If its \$1,500 you pay in property tax you pay just \$750 but they figure it out in percentages?

**John Walstad:** It wouldn't cut your property taxes in half.

**Representative Dockter:** No I meant if your school district is 50% currently.

**John Walstad:** The 50% would still go to the school.

**Representative Dockter:** So we're getting rid of the mills and going to straight percentages then calculating it that way.

**John Walstad:** Yes. I would agree with everything except it being simple.

**Representative Hatlestad:** 400 mills would make it what percent?

**John Walstad:** 40% of 4 ½% taxable values currently.

**Representative Owens:** The only reason we have to cut is to change mills to percentages then we move the decimal point over three and that changes it to a percentage. In the future if this was to be done it would be based on the percentage of dollars which would give us half of what is currently being done now.

**John Walstad:** I'm thinking 400 mills under this approach would be 2% for full and true value because you divide by twenty.

**Chairman Belter:** That doesn't sound right.

**John Walstad:** It seems to me it would be ludicrous to change now at 400 mills paying 20% of our property value every year so it has to be 2% and even that's a little high.

**Representative Zaiser:** Maybe waiting to put this into bill form then goes to a constitutional change if the public is aware of what is happening.

**John Walstad:** The only problem is the one that's been there the whole time which is the constitutional revision that says the debt limit is 5% of your assessed value. If we did the statutory changes to accomplish this section 1 then we would double everybody's debt limit under the constitution. It might be possible to make the statutory change and provide by statute a new debt limit. The legislature could make a more restrictive debt limit than what the constitution says.

**Representative Zaiser:** If that were possible I think that would be the prudent thing to do.

**John Walstad:** True.

**Representative Zaiser:** I would take this as a baby step approach rather than a constitutional change approach.

**Chairman Belter:** Say 1465 would become law would that it be in conflict with the constitution?

**John Walstad:** No. It doesn't change the definition of assessed value it just changes the word mills.

**Vice Chairman Headland:** If you have a \$100,000 home so you take it times .9 which gives you \$90,000 of value. Since you're not using the assessed value which was 50% of the mills you have to divide that by 50% or by two to cut it in half at which time you move your decimal point three to the left which would make it what the percent actually would be. I think this could be made fairly easy if Marcy or you lay it out for us to look at.

**John Walstad:** I agree.

**Chairman Belter:** You don't see a conflict in the way we do the productivity formula for agriculture with this constitutional revision as written here?

**John Walstad:** No, I don't see any problem there. I specifically included language to provide that the legislature can use a productivity formula for agriculture land and that determination is what the assessed value would be. It makes it optional that the legislature may do that; it doesn't make it a requirement for a formula.

**Chairman Belter:** But it is optional now.

**John Walstad:** It is optional now.

**Representative Drovdal:** If this resolution was to pass would farm homes be exempt?

**John Walstad:** Farm homes would retain the status they have. They would not be locked in as exempt but it would be legislative discretion whether those kinds of exemptions would continue.

**Vice Chairman Headland:** In subsection 3 where it talks about farm buildings and improvements being personal property that is constitutional isn't it?

**John Walstad:** The constitutional provision makes it clear that personal property includes buildings, improvements, and so on but it still says "may exempt."

**Representative Dockter:** If this would pass this would just be converted from mills to percentages.

**John Walstad:** That was my intention.

**Vice Chairman Headland:** If we are talking about it being 2% for all property and 1.8% for residential then why don't we just say that?

**John Walstad:** In the constitutional revision?

**Vice Chairman Headland:** If that's what it is.

**John Walstad:** That could be done but now that 9 or 10% is legislatively set and by putting it into the constitution would take away the legislature's authority to change those relationships.

**Vice Chairman Headland:** I want to lay out how I think it would be in this scenario; with \$100,000 piece of property the way this is laid out is the assessed value would be \$100,000 if it's a piece of agriculture property it would be multiplied by 10% which is what we use currently to determine the tax rate and that would leave you with \$10,000. When you determine what the mill rate is or if you put it into a percentage then this is where the problems come in. Can you draw up the formula and show us exactly how it multiplies out?

**Marcy Dickerson, State Supervisor of Assessments:** What we're really doing is getting rid of that step from true and full value to assessed value which when most lay people talk about assessed value they mean true and full value and they don't know that assessed value is 50 percent. That would be an advantage to clear that up.

**Vice Chairman Headland:** In order to come up with that percentage you need to divide that in half?

**Marcy Dickerson:** Not according to this bill; that's the way it is now. In this bill we get rid of that assessed value and we just have our taxable value.

**Representative Hatlestad:** Can we have her put it on the board so we can see the numbers?

**Chairman Belter:** I think we should give John and Marcy some time to put it together and they could come back tomorrow.

**Marcy Dickerson:** I would prefer to do that because I'm not seeing what I'm looking for in here.

**Chairman Belter:** Just put together a scenario so we can understand it and be able to explain it to the taxpayers. Closed hearing on SB 4030.

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SCR 4030  
March 27, 2013  
Job #20543

Conference Committee

Committee Clerk Signature

*Mary Bruker*

## Minutes:

*Attached amendments #1, 2*

**Representative Zaiser:** Distributed amendments .03001. See attached amendments #1.

**John Walstad, Legislative Counsel:** Distributed calculations as the committee requested from Marcy Dickerson. See attached testimony #2. Explained attached amendments from Representative Zaiser.

**Representative Froseth:** Would this change anything on the equalization method?

**John Walstad:** It would make changes but not until the legislature does something on what assessed value is or taxable value or true and full value. This measure if approved by the voters if the legislature does nothing at all then nothing would be changed. These debt limits would still apply until the legislature changes the measure on assessed value and then changes to a lower percentage debt limit as a measure of assessed value. The measure with Representative Zaiser's amendment would have no effect until legislation is enacted that makes changes.

**Representative Zaiser:** I don't really think we should have in the constitution the method of true and full value. This allows the legislature to do it. This enables it be done by statute.

**Representative Drovdal:** Did I hear you say that currently in the constitution it sets the debt limit for schools and so forth and you're saying with this amendment by a simple majority of the legislature we can ignore the constitution and reset it?

**John Walstad:** It would not allow the legislature to ignore the debt limit. It would only allow the legislature to provide a lower percentage of assessed value as a debt limit. The debt limit would still be in the constitution and it would still talk about 5% of assessed value but if the legislature changes what assessed value means the legislature could provide a lower percentage, not a higher percentage though. The constitutional limit would still be in place. It would allow redefining what assessed value is and then adjusting percentages accordingly to avoid either increasing or decreasing what that debt amount is.

**Vice Chairman Headland:** This last new language in the amendments is the only thing left?

**John Walstad:** That last underscored sentence in the amendments is basically the only change being made in the constitution if that amendment is adopted.

**Vice Chairman Headland:** This wouldn't preclude the legislature from enacting any of these other features that have been spelled out in this bill through their own legislative authority?

**John Walstad:** Absolutely. The legislature could then freely define assessed value as the full measure of value of a parcel of property. The legislature could eliminate use of a taxable valuation number and true and full value would be replaced by assessed value just like this measure requires. It wouldn't be quite so aggressive; it would leave it to the legislature to decide how to go about doing that. If the legislature can't come to an agreement then nothing would happen.

**Vice Chairman Headland:** With the language in the constitution today the legislature's hands are kind of tied on what we can do to provide tax reform that the citizens are asking for.

**John Walstad:** To get away with mills against taxable value those few references in section 2 of this measure to assessed value are what keeps the legislature from being able to change that whole structure because the debt limit would change.

**Representative Drovdal:** If we pass this bill with the amendments we are taking the true and full value and made it the assessed value which is double the current assessed value and they could bond up to 5% of that double figure but we as a legislature could say they could only bond at 50% of the assessed. We are actually increasing their bonding until we pass the bill limiting it to double what they currently can do, correct?

**John Walstad:** That is correct but the effective date of this measure would still remain which would be 2016 so the legislature would have the opportunity to change that rate statutorily to 2 ½% which would mean no change to those debt restrictions. That could be done before the measure becomes effective so nobody would be able to incur a whole bunch of debt in excess of where they're at now.

**Representative Owens:** I got to thinking about the difference between the constitution and the statute and when everything took place. The current limits on debt were established long before 1981 when we established the definition of assessed value and taxable value. The debts limits were based on what was before. In reality when we established 50%, 10%, and 9% we cut debts limits in half by doing that because we changed the definition of assessed value from the way it was in 1978 from the way it was in 1982, is that correct?

**John Walstad:** I don't believe we cut the debt limit in half in 1981. I believe the 50% was chosen to keep the debt limits where they were. There was a great deal of uncertainty about assessments prior to that time.

**Representative Owens:** The percentages were essentially cut in half due even if due to the values and the growth of money we were maintaining. Changing all that in section 2 the way it is now isn't necessary but adding this statement at the bottom would just give the legislature the authority to do that in the future completely absent of whatever assessed value is without going to the people to change the constitution every time. I've always questioned this statement so maybe you could help me with this; it says "taxes shall be uniform upon the same class of property including franchises within the territorial limits of the authority levying the taxes." It sounds like it could be different between the park board, the city, the county, or the schools because they are actually levying the tax.

**John Walstad:** That sentence has been the subject of some court cases. The part about franchises within the territorial limits I left alone because I don't really know what it means. The uniformity part within the authority levying the tax means that a park district cannot levy 6 mills against your property and 12 mills against my property and so on. The uniformity provision has been interpreted to also require what we do now through the state board of equalization and the sales ratio study where we look on a statewide basis to determine that the property has to be within a certain range of 100% of what law says it should be so that from one district to another there should be some uniformity.

**Chairman Belter:** Are there any other amendments?

**Vice Chairman Headland:** I have one. If the amendments presented passed then mine are not needed. My amendments would clarify that the legislature has the ability to determine what property is assessed. There was some question if all property would need to be assessed.

**Representative Froseth:** We had a question from the Farm Bureau on page 1 line 24 on the word "may determine agriculture property" and how that's assessed. They wanted it changed to "shall." If this passes does this go on the next general election ballot in 2014?

**John Walstad:** General election 2014 on page 1 line 14.

**Representative Owens:** After we heard this I spoke with the Farm Bureau and asked them if they still wanted "shall" in the constitution should something better come along and they said that it should probably stay "may."

**John Walstad:** On the sheet Marcy did on the fourth column where it says "mill rate 300 mills" a levy of 300 mills as a percentage with assessed value being the measure would just be a tax of 1 ½ percent. Hopefully that will be easier for people to understand than 300 mills against your taxable value.

**Chairman Belter:** Is there a motion to move the Zaiser amendments?

**Representative Zaiser:** Made a motion to accept the 3001 amendments.

**Representative Drovdal:** Seconded. When I look at the worksheet it appears much simpler and it is easier to understand.

**Vice Chairman Headland:** I agree in that it cleans up the bill and if it passes it would be a lot easier for the citizens to understand and it will give us help in getting property tax reform for everyone.

**Representative Trottier:** When you get your tax statement will it show the breakdowns as it is shown here?

**Chairman Belter:** No, I don't believe there is anything in code that would require that. In Cass County it shows the total mills but there is no break down by various taxing districts.

**Vice Chairman Headland:** I think this is the very thing the legislature would be determining as to what will be provided on the tax statement and how specific it needs to be.

**Representative Trottier:** I wish the school districts could send out their own tax statements.

**Chairman Belter:** Don't most taxing districts list the dollar amounts in each?

**Representative Trottier:** Yes but if it was done this way you could see exactly what was paid for where. It's hard to tell now what amount goes to what taxing entities.

**Representative Owens:** In Vermont they separated school tax from property tax so it looks like the property taxes plummeted and they are growing but they get two separate bills; one for schools and one for property.

**Representative Drovdal:** McKenzie does separate them so you could at least figure it out by mills. It is a nice thing to see where the tax dollars are going. I think it would be quite expensive if each of the taxing districts sent out a bill. I think it's a good idea to separate each of those taxing districts on the billing.

**VOICE VOTE: MOTION CARRIED.**

**Vice Chairman Headland: Made a motion for a Do Pass as Amended.**

**Representative Drovdal: Seconded.**

**ROLL CALL VOTE: 13 YES 0 NO 1 ABSENT**

**Vice Chairman Headland will carry this bill.**

PROPOSED AMENDMENTS TO  
ENGROSSED SENATE CONCURRENT RESOLUTION NO. 4030

- Page 1, line 1, replace "sections 5 and" with "section"
- Page 1, line 2, remove "uniformity of property taxation among classes of property and"
- Page 1, line 3, replace "requiring use of assessed value as the actual value of property for property tax purposes" with "providing authority for the legislative assembly to provide a reduced level of assessed value of property imposed as a debt limit for political subdivisions"
- Page 1, line 6, remove "requires the legislative assembly to restrict the variance of effective property tax"
- Page 1, replace lines 7 and 8 with "allows the legislative assembly to provide a reduced level of assessed value of property imposed as a debt limit for political subdivisions beginning in"
- Page 1, line 12, replace "amendments" with "amendment"
- Page 1, line 12, replace "sections 5 and" with "section"
- Page 1, line 13, replace "are" with "is"
- Page 1, remove lines 16 through 25
- Page 2, remove lines 1 through 19
- Page 2, line 23, remove the overstrike over "five"
- Page 2, line 23, remove "two and one-half"
- Page 2, line 24, remove the overstrike over "~~; provided that any~~"
- Page 2, line 24, remove ". However, an"
- Page 2, line 25, remove the overstrike over "~~such indebtedness three~~"
- Page 2, line 25, remove "its debt limit to four"
- Page 2, line 26, remove the overstrike over "~~beyond said five per centum limit,~~"
- Page 2, line 27, remove the overstrike over "~~such indebtedness~~"
- Page 2, line 27, remove "its debt limit to"
- Page 2, line 27, remove the overstrike over "~~beyond said~~"
- Page 2, line 28, remove the overstrike over "~~five per centum limit; provided also that any~~"
- Page 2, line 28, remove ". In addition, a"
- Page 3, line 3, remove the overstrike over "~~whether contracted prior or subsequent to the adoption of this~~"
- Page 3, line 4, remove the overstrike over "~~constitution, shall~~"

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Page 3, line 4, remove "must"

Page 3, line 4, remove the overstrike over "~~provided further that any~~"

Page 3, line 4, remove ". Any"

Page 3, line 5, remove the overstrike over "~~four~~"

Page 3, line 5, remove "two"

Page 3, after line 10, insert:

"The legislative assembly may provide by law a lower percentage of assessed value than the percentage limits of this section as a limit of indebtedness of political subdivisions."

Renumber accordingly

Date: 3-27-13  
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 4030**

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. Zaiser Seconded By Rep. Drovdal

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					

VOICE VOTE =  
 MOTION CARRIED

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

*.3001 Zaiser amendments  
 see attached  
 legislature can lower the percentage  
 of assessed value.*

Date: 3-27-13  
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 4030

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. Headland Seconded By Rep. Drovdal

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	AB	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Headland

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

REPORT OF STANDING COMMITTEE

SCR 4030, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SCR 4030 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "sections 5 and" with "section"

Page 1, line 2, remove "uniformity of property taxation among classes of property and"

Page 1, line 3, replace "requiring use of assessed value as the actual value of property for property tax purposes" with "providing authority for the legislative assembly to provide a reduced level of assessed value of property imposed as a debt limit for political subdivisions"

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Page 3, line 4, remove the overstrike over "~~provided further that any~~"

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Page 3, line 5, remove the overstrike over "~~four~~"

Page 3, line 5, remove "two"

Page 3, after line 10, insert:

"The legislative assembly may provide by law a lower percentage of assessed value than the percentage limits of this section as a limit of indebtedness of political subdivisions."

Renumber accordingly

**2013 CONFERENCE COMMITTEE**

**SCR 4030**

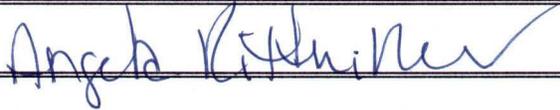
# 2013 SENATE STANDING COMMITTEE MINUTES

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

SCR 4030  
4/19/2013  
Job Number 21238

Conference Committee

Committee Clerk Signature



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

A concurrent resolution to amend and reenact sections 5 and 15 of article X of the Constitution of North Dakota, relating to uniformity of property taxation among classes of property and requiring use of assessed value as the actual value of property for property tax purposes; and to provide an effective date.

### Minutes:

Conference Committee

Senator Cook, Senator Campbell, Senator Dotzenrod  
Representative Headland, Representative Owens, Representative Zaiser

**Senator Cook** opened the conference committee on SCR 4030.

**Representative Headland** - I felt we made it a little bit easier to put on the ballot without putting certain language into the constitution. I think we felt in the end the result would be the same. It was felt that with the language that we removed that could all be accomplished within our legislative authority without having to put it in the constitution. (1:34)

**Senator Cook** - My concern is if you put this before the voters in any way, if we have trouble making sure 2 different things do the same thing I can imagine what they are.

**Representative Zaiser** - I was the one that brought the amendment and the essence was to try to simplify the bill. With that, there is one section that I am proposing an amendment to the amendment essentially. (attachment 1)

**Senator Cook** - I would suggest what we do here is just have another meeting and have Mr. Walstad here to make sure, from what I'm hearing the intent of the bill was simply to make a change in the constitution that would enable us to eliminate references to mills.

Committee adjourned.

# 2013 SENATE STANDING COMMITTEE MINUTES

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

SCR 4030  
4/19/2013  
Job Number 21321

Conference Committee

Committee Clerk Signature



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

A concurrent resolution to amend and reenact sections 5 and 15 of article X of the Constitution of North Dakota, relating to uniformity of property taxation among classes of property and requiring use of assessed value as the actual value of property for property tax purposes; and to provide an effective date.

## Minutes:

Conference Committee

Present: Senator Cook, Senator Campbell, Senator Dotzenrod  
Representative Headland, Representative Owens, Representative Zaiser

**Senator Cook** opened the conference committee on SCR 4030.

**John Walstad, Legislative Council** explained SCR 4030.

**Representative Headland** - In the House discussions I believe you indicated to us that we could essentially accomplish section 1 of the bill through our legislative abilities is that not how I remember it?

**John Walstad** - That is correct. The first section of this resolution would require assessed value to be the full value. It isn't really this first section that prohibits the legislature from doing that it's the second section that says what the debt limit is in terms of assessed value. If the legislature could redefine assessed value statutorily it wouldn't violate the first section but the second section would need the amendment that the committee ultimately adopted.

Discussion followed on the debt limit of 1981 and true and full value.

**Representative Owens** - As far as section 5 of article 10, what you said was that if we just make assessed value true and full value that then they could go to a tax value rather than mills. But it doesn't force anybody to do that because all they have to do then is take that assessed value multiply it by .45 or .05 and then turn around and use mills the same way they have been using it all along. There is nothing that forces them to change from mills to a tax rate.

**John Walstad** - There is nothing now. If this measure is enacted legislation would be needed to make a lot of changes one of which would be here's how you figure the tax bill. You take assessed value and you put your percentage tax rate against it and the change would disallow using that .45 - .05.

**Representative Headland** - I still am going by what you told us in the house committee, we could accomplish all of that without putting it into the constitution.

**Senator Cook** - You are putting it into the constitution.

**Representative Headland** - But do we need to?

**John Walstad** - Something has to happen in the constitution but I think...

**Representative Headland** - I'm referring to section 5.

**John Walstad** - Section 5 I don't believe would have to be changed if the House version allows changes to be made by statute now. That apparently gives a little discomfort to some bond attorney's I understand.

**Representative Headland** - We tried to make it softer so it didn't appear that we were going in and asking the people to vote on cutting the debt limit in half. We thought there may be some consternation with that so the way we had it written I believe Representative Zaiser is just to allow for it to be lessened and I certainly believe that we don't have any issues with changing that to more properly reflect what the intent is. We just believe that the voter needs to be able to understand it.

Conference committee adjourned.

# 2013 SENATE STANDING COMMITTEE MINUTES

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

SCR 4030  
4/25/2013  
Job Number 21514

Conference Committee

Committee Clerk Signature



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

A concurrent resolution to amend and reenact sections 5 and 15 of article X of the Constitution of North Dakota, relating to uniformity of property taxation among classes of property and requiring use of assessed value as the actual value of property for property tax purposes; and to provide an effective date.

### Minutes:

Conference Committee

Present: Senator Cook, Senator Campbell, Senator Dotzenrod  
Representative Headland, Representative Owens, Representative Zaiser

**Senator Cook** opened the conference committee on SCR 4030.

**Senator Cook** - I have amendments. (attachment 2) If you recall the last time we met it ended with a conversation that was going on back there between Marcy Dickerson and John Walstad about whether or not they could do this without a constitutional amendment. We adjourned so they could have their conversation.

**John Walstad, Legislative Council** explained his research on whether or not there needs to be a constitutional amendment.

**Senator Cook** - Can we still adjust by classification of property?

**John Walstad** - Yes

**Senator Cook** - The tax rate for Ag, commercial and centrally assessed would be the same as the effective rate. But the tax rate for residential property, as long as we adjusted it at 90% would not be the same as the effective rate.

**Senator Campbell** - Why make it more confusing again, why not just change the effective tax rate say from .8 to .9, just change the effective tax rate.

**John Walstad** - That is possible but then what you end up with is different mill rates for different properties. I think it's probably easier to do that on the top end and have a uniformed tax rate that would apply.

**John Walstad** - That is why a study resolution amendment was prepared. If I'm going to do this I would like to do it with an interim committee where we could maybe walk through a little bit of it at each meeting rather than let's do it all today.

**Representative Headland** - I will move 13.3096.03005.

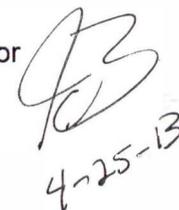
Seconded **Representative Owens**.

**Senator Cook** - We have a motion that the House recede from its amendment and further amend.

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

Conference committee adjourned.

April 24, 2013



Handwritten signature and date: 4-25-13

PROPOSED AMENDMENTS TO ENGROSSED SENATE  
CONCURRENT RESOLUTION NO. 4030

That the House recede from its amendments as printed on pages 1013-1015 of the Senate Journal and pages 1117 and 1118 of the House Journal and that Engrossed Senate Concurrent Resolution No. 4030 be amended as follows:

Page 1, line 1, after "A concurrent resolution" replace the remainder of the resolution with "to provide for a legislative management study of applying property tax rates against true and full value of property.

**WHEREAS**, property taxpayers continue to express frustration with the complexity of the property tax system's three levels of valuation for property and how mill rates are applied to determine the tax bill for a parcel of property; and

**WHEREAS**, it appears feasible and desirable to use true and full valuation of property and a percent of that value as a tax rate, to provide a more comprehensible method of determination of the tax bill for a parcel of property; and

**WHEREAS**, determining the statutory changes necessary to implement such a change will involve detailed consideration and adjustment of a very large volume of statutory provisions, which is feasible only in an interim study setting;

**NOW, THEREFORE, BE IT RESOLVED BY THE SENATE OF NORTH DAKOTA, THE HOUSE OF REPRESENTATIVES CONCURRING THEREIN:**

That the Legislative Management study applying property tax rates against true and full value of property; and

**BE IT FURTHER RESOLVED**, that the Legislative Management report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixty-fourth Legislative Assembly."

Renumber accordingly

Date 4-25-13

Roll Call Vote # 1

**2013 SENATE CONFERENCE COMMITTEE  
ROLL CALL VOTES**

BILL/RESOLUTION NO. 4030 as (re) engrossed

Senate Finance & Taxation Committee

- Action Taken**
- SENATE accede to House Amendments
  - SENATE accede to House Amendments and further amend
  - HOUSE recede from House amendments
  - HOUSE recede from House amendments and amend as follows
  - Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Headland Seconded by: Owens

Senators	4/18	4/19	4/25	Yes	No	Representatives	4/18	4/19	4/25	Yes	No
Senator Cook	x	x	x	X		Representative Headland	x	x	x	X	
Senator Campbell	x	x	x	X		Representative <del>Trotter</del> Owens	x	x	x	X	
Senator Dotzenrod	x	x	x	X		Representative Zaiser	x	x	x	X	
Total Senate Vote				3		Total Rep. Vote				3	

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Cook House Carrier Headland

LC Number 13.3096 . 03005 of amendment

LC Number \_\_\_\_\_ of engrossment

**REPORT OF CONFERENCE COMMITTEE**

**SCR 4030, as engrossed:** Your conference committee (Sens. Cook, Campbell, Dotzenrod and Reps. Headland, Owens, Zaiser) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1013-1015, adopt amendments as follows, and place SCR 4030 on the Seventh order.

That the House recede from its amendments as printed on pages 1013-1015 of the Senate Journal and pages 1117 and 1118 of the House Journal and that Engrossed Senate Concurrent Resolution No. 4030 be amended as follows:

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**BE IT FURTHER RESOLVED**, that the Legislative Management report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixty-fourth Legislative Assembly."

Re-number accordingly

Engrossed SCR 4030 was placed on the Seventh order of business on the calendar.

**2013 TESTIMONY**

**SCR 4030**



PROPOSED AMENDMENTS TO  
ENGROSSED SENATE CONCURRENT RESOLUTION NO. 4030

Page 1, line 1, replace "sections 5 and" with "section"

Page 1, line 2, remove "uniformity of property taxation among classes of property and"

Page 1, line 3, replace "requiring use of assessed value as the actual value of property for property tax purposes" with "providing authority for the legislative assembly to provide a reduced level of assessed value of property imposed as a debt limit for political subdivisions"

Page 1, line 6, remove "requires the legislative assembly to restrict the variance of effective property tax"

Page 1, replace lines 7 and 8 with "allows the legislative assembly to provide a reduced level of assessed value of property imposed as a debt limit for political subdivisions beginning in"

Page 1, line 12, replace "amendments" with "amendment"

Page 1, line 12, replace "sections 5 and" with "section"

Page 1, line 13, replace "are" with "is"

Page 1, remove lines 16 through 25

Page 2, remove lines 1 through 19

Page 2, line 23, remove the overstrike over "five"

Page 2, line 23, remove "two and one-half"

Page 2, line 24, remove the overstrike over "; provided that any"

Page 2, line 24, remove ". However, an"

Page 2, line 25, remove the overstrike over "such indebtedness three"

Page 2, line 25, remove "its debt limit to four"

Page 2, line 26, remove the overstrike over "beyond said five per centum limit,"

Page 2, line 27, remove the overstrike over "such indebtedness"

Page 2, line 27, remove "its debt limit to"

Page 2, line 27, remove the overstrike over "beyond said"

Page 2, line 28, remove the overstrike over "five per centum limit; provided also that any"

Page 2, line 28, remove ". In addition, a"

Page 3, line 3, remove the overstrike over "whether contracted prior or subsequent to the adoption of this"

Page 3, line 4, remove the overstrike over "constitution, shall"

#102

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Renumber accordingly

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SCR 4030 Calc.xlsx

**Current Law**

<u>Classification</u>	<u>True &amp; Full Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Mill Rate</u> <u>300 mills</u>	<u>Tax</u>
Agricultural Land	100,000	50,000	5,000	0.30000	\$1,500.00
Residential Property	100,000	50,000	4,500	0.30000	\$1,350.00
Commercial Property	100,000	50,000	5,000	0.30000	\$1,500.00

**SCR 4030**

<u>Classification</u>	<u>True &amp; Full Value</u> <u>(Not used)</u>	<u>Assessed Value</u>	<u>Assessed Value</u> <u>Adjusted by</u> <u>Assmt. Ratio</u>	<u>Tax Rate</u>	<u>Tax</u>
Agricultural Land	100,000	100,000	100,000	1.50%	\$1,500.00
Residential Property	100,000	100,000	90,000	1.50%	\$1,350.00
Commercial Property	100,000	100,000	100,000	1.50%	\$1,500.00

Sample breakdown of consolidated tax rate by percentages:

<u>School district</u>	<u>Mills</u>	<u>Percentages</u> <u>of Total Levy</u>
General Fund	110	36.67%
HS Tuition	15	5.00%
Building Fund	10	3.33%
Long Dist. Learning	5	1.67%
Total SD Levy	140	46.67%
Other Levies	160	53.33%
Total Levy	300	100.00%

PROPOSED AMENDMENTS TO ENGROSSED SENATE  
CONCURRENT RESOLUTION NO. 4030

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Page 3, after line 10, insert:

"The legislative assembly may provide by law a lower percentage of assessed value than the percentage limits of this section as a limit of indebtedness of political subdivisions but, if the legislative assembly does so, provisions must also be made by law to preserve the limitations on indebtedness of this section as a share of the value of taxable property."

Renumber accordingly

April 24, 2013

**PROPOSED AMENDMENTS TO ENGROSSED SENATE  
CONCURRENT RESOLUTION NO. 4030**

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