

2015 HOUSE FINANCE AND TAXATION

HB 1057

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1057
1/12/2015
#21834

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to notice to a property owner of an assessment increase.

Minutes:

Attachment #1

Chairman Headland: Opened hearing.

John Walstad, Legal Director, Legislative Counsel: Introduced bill. Distributed minutes from the interim tax committee meeting. See attachment #1. The bill draft started off as a discussion of when people should receive notice of an assessment increase for their property. Current law says that if your property has increased by more than 10% and more than \$3,000 you're supposed to get a notice of that from the assessor. During the equalization process at the township, city, county, or state level there are opportunities for your valuation to be increased. If the assessor doesn't make the increase but the township or county does you won't get notice. The committee was addressing this. During its deliberations there was written testimony from the Dickey County Office of Tax Equalization. It was suggested that during the various stages of the process of finalizing valuation at any point where the increase for your property reaches 10% more than the prior year and \$3,000 more than the prior year, whoever did it has to send in the notice. In addition to that 10% threshold for notice if an increase is proposed by any of those equalization entities if they are looking at assessing your property by more than 15% that notice has to be prior to the hearing and provides you have an opportunity to come in and talk to them about it.

Chairman Headland: Questions for Mr. Walstad? Any support for HB 1057?

Don Flaherty, Tax Equalization for Dickey County: I want to make sure that everyone understands when we're talking about individual changes to an individual's property is where the 10% or \$3,000 thresholds come into place. This legislation the way it is written now also makes sure that any time there are individual changes made or when there is a class change made by a county and that change results in the 10% or \$3,000 that person gets a notice even if it is after the fact. If an individual's assessment increases by more than a total cumulative amount of 15% by what it was the previous year that individual has to receive a reasonable notice before that board is able to make that change. This takes

care of what I consider to be the unfairness that has been on the counties and townships. This puts everyone at that 15% equal level playing field.

Representative Strinden: Would you change the feeling of the bill if it read an increase of \$3,000 or more or 10% or more?

Don Flaherty: Yes I would.

Representative Strinden: Could you elaborate?

Don Flaherty: The legislature did this approximately four year ago. The problem with that is that you have certain properties or vacant lots or whatever else where it may be valued at \$100 and you need to increase that value to \$200 so you're doubling that value but it's not a substantive change that you're now needed to do without a notice of increase. That's why the \$3,000 and 10% threshold is a fair balance because if both of those thresholds are met you're usually talking about substantive changes that have happened to that property.

Representative Trottier: I was contacted from a neighboring town out of my district. The entire population was raised general 43% regardless of the value of their homes. Is that proper or can that be legally done?

Don Flaherty: Did they state which group had done the change?

Representative Trottier: It came from the county.

Don Flaherty: The County has the ability to make changes on classification. If it was all residential properties and they met that classification then yes they could do that under current legislation. New legislation would not prevent that either; it would require if that change ultimately made a 10% \$3,000 change of the previous year's assessment now they at least have to get a notice so they have some ability to take some recourse.

Chairman Headland: Any other questions for Mr. Flaherty? Further support? Is there any opposition to 1057? Seeing none we will close the hearing on 1057.

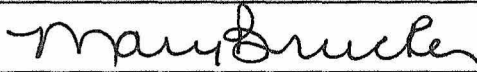
2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1057
1/19/2015
22153

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill relating to notice to a property owner of an assessment increase.

Minutes:

Chairman Headland: Opened for discussion.

Representative Klein: I don't have anyone objecting to this one. It is one of the things that came out of the interim tax committee. Maybe our Vice Chairman can enlighten us on it.

Vice Chairman Owens: I was wondering if we could ask the Association of Counties a couple of questions. We have so many notices that are required by cities and counties. I am trying to figure out where this fits in, other than codifying and adjusting the Attorney General's opinion from 1983. The fact that it has taken us this long to worry about it, makes me question if it is really that important.

Terry Traynor, Association of Counties: The interest that was peaked last interim was the fact that the legislature tied the budget notice later on in the summer. Those that got that budget notice were the same individuals that received the assessment increase notice. Not all counties did it this way, but because the Attorney General's opinion said that if a class was raised, like Ag Land, there was not a need to send out that notice. Some counties, still sent out the notice, but some did not. Because some did not, then later on the school board secretary did not have that list to send them the second notice. That is why the issue was raised. It does supersede the Attorney General's opinion. In addition the bill moves this to a more appropriate place. It fits better with all the assessment processes and notices. That seemed to be appreciated by the tax assessors.

Vice Chairman Owens: Now I remember. Thank you very much.

Chairman Headland: Does anybody need some time for amendments or should we pass it out?

Representative Trottier: I had a call from a small town from some people that are not in my district, about 300 people in the town. They all received a notice that their values went up 42 or 43% across the board for everyone. No tax assessor came out to put a true value on the property. Would this address that in any way?

Chairman Headland: No.

Representative Klein moved a **DO PASS** on HB 1057.

Representative Strinden seconded the motion.

There was not further discussion.

A roll call vote was taken. Aye 14 Nay 0 Absent 0
The motion carried.

Representative Strinden will carry HB 1057.

Date: 1-19-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1057

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☒ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Rep. Klein Seconded By Rep. Strinden

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	✓	
REP DOCKTER	✓		REP MITSKOG	✓	
REP TOMAN	✓		REP SCHNEIDER	✓	
REP FROSETH	✓				
REP STEINER	✓				
REP HATLESTAD	✓				
REP KLEIN	✓				
REP KADING	✓				
REP TROTTIER	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Strinden

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

REPORT OF STANDING COMMITTEE

HB 1057: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1057 was placed on the Eleventh order on the calendar.

2015 SENATE FINANCE AND TAXATION

HB 1057

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB1057
3/4/2015
Job #24283

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Relating to notice to a property owner of an assessment increase; and to provide an effective date.

Chairman Cook opened the hearing on the bill. All committee members present.

Emily Thompson, staff attorney, Legislative Council, appeared and reviewed HB1057 and testified in a neutral capacity. This bill relates to the provisions of notice to property owners regarding assessment increases. It was one of the bills brought forward by the interim taxation committee and arose when it was reviewing the provisions of SB2036 which passed during the 2013 legislative session. That bill required the tax commissioner to prescribe the form of notices assessors are required to send if a property owner's value has increased by a certain amount over the prior year's assessment. It was noted that some counties were not sending out notice of assessment increases. These counties that were not sending out notices were generally relaying on an old AG's opinion that stated that notices were not required in these situations. The provisions of the bill that you are looking at today were set forth to address those situations in which a board of equalization is the source of an order for increase in the valuation of property that would place the total value increase in that property above 10% and \$3,000 increase over the prior year's assessment, thus requiring notice under current law. (meter3:13-4:59)

Senator Oehlke -- On page 1, line 13 and 23, it talks about \$3,000 or more and 10% so it has to be both of those conditions, correct?

Emily Thompson -- Correct. An easy way to see the intent of that is: if you have a \$100,000 home and it's increased to \$110,000, the assessment the next year. That's an increase of 10% and \$10,000 so both those requirements are met. Say you have a very low value property: a \$10,000 property that goes up to \$11,000 the next year. You met the 10% threshold there but it is only a \$1,000 increase so a notice would not be required in that situation. That's why they do ask that you need both of those in the statute.

Senator Oehlke -- On page 2, line 27, it says the notice may not contain an estimate of a tax increase resulting from the assessment increase; I don't know if I understand that.

Emily Thompson -- That language was actually put in last session in SB2036 and may not contain is prohibiting them from placing that in there.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB1057
3/25/2015
Job #25394

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Chairman Cook opened the committee work on HB1057.

Sen. Cook -- I call this the Stutsman County bill. We will kick this out Monday, also. If you've got any questions, we will have Linda down here. We all know that you are supposed to be notified if your property assessment goes up by \$3,000 or 10%. This was ag land that was not assessed by the local assessor. It was by an equalization board, I believe. That has caused the assessment to go up and therefore they, because of an AG's opinion, didn't have to send a notice. A lot of farmers in Stutsman County whose ag land went up by more than 10% and they never got a notice. This is to correct that problem. We will deal with that on Monday.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB1057
3/30/2015
Job #25584

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Chairman Cook opened the committee work on HB1057.

Sen. Cook -- I always call this the Jamestown Assessment bill but it does a little bit more than that. I'm handing out something I want you to look at. I only have 2 copies so I'll pass one down each side. Just glance at it real quick. We have an issue here yet that needs some degree of attention. I don't know how we could do it yet but if we were going to we could tie it to this bill. The issue of the statements that go out, that are required to go to the taxpayer regarding their property tax, the truth of taxation and, as you know right now, what we do is we require a notice in the Spring of the year, if your property goes up in value by 10% and \$3,000. You are going to get a notice in the Fall of the year in the newspaper and if you are one of the people whose land went up 10% and \$3,000, you will get a letter. If your taxes are going to go up in dollars, that is the truth of taxation, and then you will get you actual tax statement in December.

What I just handed out to you is a tax statement from Minnesota and they deal with all 3 issues and I like the way they do it. When you look at that, you can see the 3 steps up in the upper right-hand corner, step #1 and it's defined. This is the one that they get in March that tells you the increase in valuation. Everybody gets it. Then you get one in November and it will tell you what your proposed tax is going to be, that's the truth in taxation notice and it will tell you in November when and where is the hearing that you could go to speak to your tax increase. And then they move the actual tax statement back to March of the next year. And you have until May 15 to pay for it. They have the tax statement come in the following year. We struggled with this, as far as truth in taxation, in having the hearings and getting everything compressed in and getting the tax statement out by December and still having the hearings in there. We passed our truth in taxation in 2011. I'll bet Minnesota followed us within a year. I like the way it works there. It's clean. It's neat. I don't know how to go in this bill, 1057, is where we would have to do it to required that and I don't know if we would dare do it right now. But that is where I want to get to.

The next thing you will notice in that bill is that no where will you find the tax rate. You will not find any reference to mills. You will not find any reference to tax per thousand dollars of valuation. There is no reference to a tax rate. It is just simply dollars and what is wrong with that? Dollars is all that taxpayers are concerned about. (meter 4:25-5:18)

Sen. Triplett -- We have also required of our local folks that they provide the 3 year history and that would muddy this up. You would have the 3-step process and then also the 3-year history and that is a lot of information to put on one piece of paper.

Sen. Cook -- It's 2 pieces of paper.

Sen. Triplett -- We have encouraged our folks to keep it on one page and there is only a certain amount of information that you can get on one page before the font size gets so small that old people can't read it.

Sen. Cook -- I don't think we ever required them to have it on one page. I think that is something that they tried to limit and they always argue that we're going to need a second page. I always wonder, so what? It's 3 statements that every taxpayer is going to get during the course of the year.

Sen. Oehlke -- Why don't we make this an incentive program and award \$3,000 cash prizes to the 3 best proposed solutions to this? I'm talking about in our state. Have a little contest and see what county assessors, or county auditors can come up with the best program and make it a cash prize or a free trip to Bismarck to set in our committee for a day.

Sen. Cook -- To be honest with you, I think the tax commissioner's office and county auditors have worked very hard over the last interim to greatly improve our tax statement. What I see here is not so much that it improves the tax statement but that it addresses these 3 important pieces of information. The other thing that would cloud our statement up is all this language that we have to have to identify state property tax relief.

Sen. Laffen -- I thought the biggest revelation was that my taxes actually went down in Minnesota this last year.

Sen. Cook -- Well, I hope that you feel a lot of comfort with that when you consider the fact that on your commercial property you are paying over 3.5 effective tax rate.

Sen. Laffen -- 3.8.

Sen. Cook -- 3.8? As long as you are happy paying 3.8, Minnesota is going to be happy to collect it.

Sen. Dotzenrod -- I think that you have raised some really good issues here. Their print looks like it's a smaller print size. I think you could, if you wanted, have 3 columns, given the size of their print. Now this is 4 pages that I have.

Sen. Cook -- You've got 2 different letters.

Sen. Dotzenrod -- One is the end of the year?

Sen. Cook -- One is the March statement and the other one is the November statement that has the proposed tax.

Sen. Dotzenrod -- I think in Minnesota when they send out the proposed ones, they are out right now. In Minnesota they come on green paper and they really make an effort so that you don't get the billing mixed up with the statement that shows you what your values have done.

Sen. Cook -- What they should have just gotten in March is the actual tax statement. Taxes due.

Sen. Laffen -- I just got a bunch more of these on some more property in Minnesota.

Sen. Dotzenrod -- In Minnesota did they send out your notice of value change from one year to the next just lately?

Sen. Laffen -- I can find out. I know that I got #2 separate from #3 in this group. I don't remember when #1 came.

Sen. Cook -- Is there any problems with the rest of the bill that we have before us?

Sen. Bekkedahl -- While we have Mr. Walstad here, I know that I asked this question before but I still have notes on this, on page 4 of the bill, section 2a, line 27, the county board of equalization after notice to the local board of equalization may reduce the assessment on any separate piece or parcel of real estate even though such property was assessed in a city or township having a local board of equalization, the county board of equalization may not reduce any such assessment unless the owner of the property or the person to whom it was assessed first appeals to the county board of equalization... My dilemma is where we have the city board of equalization and there are no issues with a piece of property but then before it hits the county board the county assessor's office finds some issue that was made inhouse that the property owner is not aware of that they want to correct before it goes to the county board. How do they allow that to happen when this says they have to have first been informed by the property owner? I want to make sure that they can make inhouse corrections if they are found after the city board or the township board of equalization before it goes to the county board which I think they have done now in certain cases. Do you understand what I am referring to here, Linda?

Sen. Cook -- Linda.

Linda Leadbetter -- I do understand your concern. I suppose that it could happen that way that it would be done and they would try to correct it. This is trying to follow the process where, in order for someone to appeal at the state board of equalization, they would have had to have presented their question locally. I think another opportunity to make that correction, though, if they do not do it prior to the equalization meeting, the county would

still be able to do it as in the form of an abatement, internally, by involving the owner. I think there would still be an option to correct it.

Sen. Bekkedahl -- So with the abatement process, it could still be handled internally? I just want to make sure that the property owner is treated fair and because they weren't aware of it and they didn't put in the notice that the correction didn't occur and you are saying that it can. I'm comfortable if that is your interpretation.

Linda Leadbetter -- That would be correct because if at any time during the year someone discovers an error, they would be able to file it as an abatement application and they would involve the owner, even though it would be internally that the tax director noticed the error, they would still involve the owner. (meter 12:41-13:10)

Committee work closed.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB1057
3/31/2015
Job #25643

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Attachment #1

Chairman Cook opened the committee work on HB1057

Sen. Cook -- You should have amendments in front of you (**Attachment #1**). Shall consider studying delivery and contents of property tax information to taxpayers when the property assessment has been determined by the assessor... It's a 3-stage reporting that we have been trying to do. The study shall consider the feasibility and desirability of changes to the timing of events scheduled by law for the taxable year and shall consider improvements to the transparency, administration, and understanding of the property tax system. I think that is the key. We will find out and determine if we actually need a tax rate on the tax statement, I think, and I don't think that we do.

Sen. Dotzenrod -- I got into a discussion, early in the session, with someone in the tax department about this same issue and it was really about the problem that we have in some jurisdictions where, as they are getting their budget prepared, they are going to the tax office in the courthouse and they are asking questions about the percentage increase in the valuations. They are trying to establish what valuation increase is on its way and then they take that information back to their budget meeting and, as they are preparing their budget, they build that into the budget that they are getting this anticipated rise in property values. I've always said, well, they are really not doing that way, but I think some of that is going on. You are supposed to build the budget, figure out what your needs are, and then once the budget is established, how do you spread that cost across the taxing district? Not, how do you figure out what the taxing district can yield and then build a budget around that. One of the solutions was, is there a way to rearrange the calendar in the process of getting this information established for any one tax year, as to what is the property value going to be and change it in such a way that that information isn't really available and useable until the budget process for those subdivisions have been complete. I think this study fits in with the discussion I was having about that.

Sen. Cook -- I think we started down that road, and I agree with you, Sen. Dotzenrod, when we passed our truth in taxation. We have never been able to really utilize the benefit of that to its fullest. That's what was intriguing about Minnesota's tax statement. They copied us with their truth in taxation but they put in more time for it and they moved the actual tax statement back from December to March of the following year.

Sen. Bekkedahl -- I would agree with what Sen. Dotzenrod said in his discussion. In my 19 years on the city commission in Williston we have always done our budgets from a dollar perspective. We bring in the department heads and the other commissioners for each department and in a 2-week period have budget hearings all day long that delineates what the expenditures, based on the needs, are going to be. We take the needs and we figure out how many dollars we are going to levy at that point. We never really work in mills. (meter 4:34-5:13)

Sen. Triplett -- I agree with what's been said so far but I think it depends, to some degree, why property values are increasing. If they are just increasing from general market pressures, that's one thing; but if the reason the "kitty" is getting larger is because there is a substantial amount of development going on in a community which then requires a commiserate increase in city services then there is a reason to increase the budget to accommodate that. (meter 5:52-6:30) I think the study is a good idea.

Sen. Cook -- Do you want to make a motion?

Sen. Unruh -- I would move amendment 15.0020.04001 to HB1057.

Sen. Triplett -- Seconded.

Sen. Cook -- All in favor signify by saying aye. Carried.

Sen. Cook -- John, will you come to the podium? Please refresh us all again exactly what this bill does.

John Walstad, Legislative Council -- Not for or against. I worked with the interim taxation committee during the development of this legislation and, as a bit of background, we have for many years had a provision that a property owner had to be provided a mailed notice of an assessment increase of 10% and \$3,000 or more and the assumption was that that applied right down the line, however, you ended up with that kind of an increase if you broke that limit, you got a notice. Discovered not too long back that that's not happening everywhere. There is an opinion from the AG, 1983, it's a very old opinion saying that that 10% \$3,000 thing relates to the assessor and it's got to be the assessor that makes that much of an increase before the notice is required and what had happened in some counties was the assessment were not increased to that level requiring notice but the county board of equalization, then, made a blanket increase for agricultural property that made the increase substantially more than 10%. None of those property owners received notice that had happened. As we started working through that during the interim on how to resolve that..

Sen. Cook -- None of those property owners, also, got a notice then that their taxes were going up under the truth in taxation notice.

John Walstad -- True. Very important point. Receiving that notice was what triggered the notice for the truth in taxation budget hearings. Not getting the notice meant you didn't know about the budget thing, unless you were following along closely in the newspaper, even then the notice doesn't have to be published, if nobody got that notice. There was a hole in the safety net and the bill draft was developed during the interim and Don Flaherty from Dickey County made some suggestions that during the equalization meetings at the township, city, county, level different requirements apply. He suggested that there should be uniformity of process, of procedure, at all of those equalization levels and the committee had already made the decision that 10% and \$3,000 increase trigger would apply regardless where it happened; whether it was the assessor, the county, the township, the city board. Wherever it was that increased an assessment that broke that 10% plane, had to provide notice to the property owners that it happened. That's what the bill draft does. Do you want to walk through the thing?

Sen. Cook -- No, not unless somebody has some questions.

Sen. Dotzenrod -- On line 11, it says when any assessor has increased; you were talking about other ways that would make the property go up, the action of the tax director or the county commission on some broad across the board increase. Where is that? Okay.

John Walstad -- Just to follow up on the question, Sen. Dotzenrod, that lead-in language on line 11, when the assessor has increased the true and full valuation, that's current law. It's all underscored here because it looks like brand new law, but it is currently contained in a section being repealed, 57-12-09. That chapter relates to the county board of equalization and Mr. Flaherty suggested and the interim committee agreed, that provision more properly should be in chapter 57-02 which relates to assessment of property. The existing law was moved to this new section 57-02-53 but it was changed. It is kind of hard to see some of the language that you are looking at here on page 1, even though it is all underscored, some of it is existing law, some of it is new law. That first sentence, that's the one the AG said, means the assessor only.

Sen. Cook -- We have before us 1057 as amended.

Sen. Bekkedahl -- I would move a do pass on HB1057, as amended.

Sen. Unruh -- Seconded.

Roll call vote 7-0-0.

Carrier: Sen. Laffen

March 31, 2015

3/31/15
JCR

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1057

Page 1, line 6, after the semicolon insert "to provide for a legislative management study;"

Page 6, after line 11, insert:

"SECTION 7. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX INFORMATION. During the 2015-16 interim, the legislative management shall consider studying delivery and contents of property tax information to taxpayers when the property assessment has been determined by the assessor, when the budget hearing will be held for each taxing district in which the property is located, and when the property tax statement for the taxable year is delivered. The study must consider the feasibility and desirability of changes to the timing of events scheduled by law for the taxable year and must consider improvements to the transparency, administration, and understanding of the property tax system. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-fifth legislative assembly."

Renumber accordingly

Date: 3-31-15Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO HB 1057

Senate Finance and Taxation Committee☐ SubcommitteeAmendment LC# or Description: 15.0020.04001

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By: Sen. Unruh Seconded By Sen. Triplett
voice vote aye. Carried

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Lonnie Laffen			Senator Connie Triplett		
Senator Brad Bekkedahl					
Senator Dave Oehlke					
Senator Jessica Unruh					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 3-31-15Roll Call Vote #: 2

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB1057**

Senate Finance and Taxation Committee☐ SubcommitteeAmendment LC# or Description: 15.0020.04001 Title .05000

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
 Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sen. Bekkedahl Seconded By Sen. Unruh

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chairman Lonnie Laffen	✓		Senator Connie Triplett	✓	
Senator Brad Bekkedahl	✓				
Senator Dave Oehlke	✓				
Senator Jessica Unruh	✓				

Total (Yes) 7 No 0Absent 0Floor Assignment Sen. Laffen

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

REPORT OF STANDING COMMITTEE

HB 1057: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1057 was placed on the Sixth order on the calendar.

Page 1, line 6, after the semicolon insert "to provide for a legislative management study;"

Page 6, after line 11, insert:

"SECTION 7. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX INFORMATION. During the 2015-16 interim, the legislative management shall consider studying delivery and contents of property tax information to taxpayers when the property assessment has been determined by the assessor, when the budget hearing will be held for each taxing district in which the property is located, and when the property tax statement for the taxable year is delivered. The study must consider the feasibility and desirability of changes to the timing of events scheduled by law for the taxable year and must consider improvements to the transparency, administration, and understanding of the property tax system. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-fifth legislative assembly."

Renumber accordingly

2015 CONFERENCE COMMITTEE

HB 1057

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1057
4/13/2015
26053

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to notice to a property owner of an assessment increase.

Minutes:

No attachments

Chairwoman Steiner: Opened conference committee. As the house passed HB 1057 the senate made a change. I'd like to discuss this but we won't take action because I hear there is further work to be done on this bill from the house side. When I get that amendment I will present it to you at that time. Could you explain the reason for the addition of section seven on the management study?

Senator Dotzenrod: This was a result of some conversations we had at the beginning of the session with Senator Cook, Linda Leadbetter, and I. The way we do our tax year in North Dakota is having our local assessors go out, report back then have the April meeting which is reviewed by the tax director in the middle of the summer and finalizing the work in October with statements coming out in December. The way our calendar is set up there are people from taxing districts; counties, school districts, and other taxing districts that come into the process during the year we are building up to the statements in December and they are anticipating the growth for the property values then taking that back to their budget building meeting for the coming year. This isn't what is supposed to be done. The taxing districts are supposed to build the budget for what they need. The valuation system is only a way to spread out the costs across the taxing district. We looked at some statements from Minnesota and they have a whole different approach; their tax statements come out about this time of the year and they're due in May and October. If we could rearrange our calendar we could find a way to develop the obligation the property owner has without having this system being used to anticipate and fully use all the mills that are available without regard to what you would normally consider a normal budget process. In order to do that we looked at the language in this study so see if there was a way to look at the budget hearing and the way the calendar is developed for us to develop tax statements and see if that's the way to do it or if we should be making changes in how we set that up. That's how we got this management study put on the bill.

Senator Oehlke: Do you want to share anything relative to the proposed amendment you're anticipating?

Chairwoman Steiner: I don't have it in the printed form yet but it speaks to a soft cap on the second year. It would say if you took 10% the first year of the biennium then on the second year you would be limited to three. This would hold back 10% levels increasing every year.

Senator Laffen: It sounds like the idea being you can't get 10% increases year after year after year and that there is a limit. We'll wait to see your amendments.

Chairwoman Steiner: I'll let you know when we meet again.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1057
4/14/2015
26079

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Mary Brucher

Minutes:

Attachment #1

Chairwoman Steiner: Opened conference committee. Senator Laffen provided us with some information on how Minnesota prepares a tax statement and he thought you might find it interesting. This is just in dollars, there are no mills. Could you please go through that for us?

Senator Laffen: Explained Hennepin County property tax statement; see attachment #1. This is a tax statement from the state of Minnesota. We reviewed this in our committee and we found some things that were very nice about the way Minnesota does it. In everything they send out they always remind you that your property taxes come to you in three steps; your new valuation, proposed property taxation for the next year, and the property tax statement. Everything is in dollars, nothing is in mills. They send two stubs if you want to pay half and they don't charge interest. Our committee feels that we should continue to look at our statements and make sure they are transparent and easy. We thought Minnesota had some nice features in theirs and that's why we added the study.

Representative Dockter: Where are the mills to dollars bill in the senate? I really like this format and I like the way it is spelled out in dollars.

Senator Laffen: I think it's waiting for our next meeting this morning.

Chairwoman Steiner: I'm still waiting for the amendment I requested.

Senator Dotzenrod: What is your amendment going to do?

Chairwoman Steiner: It's supposed to be a soft cap on the second year. The language in section one about the 10% doesn't apply to both years in a biennium. We'll see what matches up when we get it. If there is nothing else we will adjourn this conference committee.

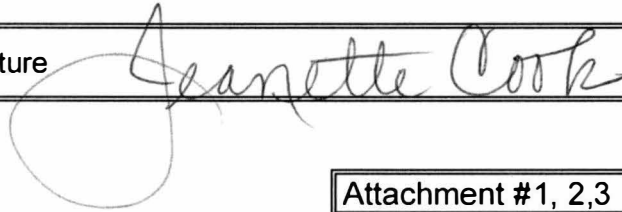
2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1057
4/15/2015
#26122

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature



Minutes:

Attachment #1, 2,3

Chairwoman Steiner: Distributed proposed amendments 15.0020.04002; see attachment #1.

John Walstad, Legislative Council: Distributed handout of City Emergency Borrowing and Expenditure; see attachment #2. He explained that the concept in the amendment is that IF a political subdivision increases property tax levies by 10% or more that triggers a cap for the following year of a 3% increase. Tax bases change from year to year, so it is somewhat complicated to do this. The amendment was reviewed.

John Walstad: There has already been a question raised about emergencies. I passed out additional information. See attachment #2. There are provisions in current law that deal with how to obtain the funds to deal with an emergency (flood, fire, large amounts of snow). It is not a problem created by anything in this amendment. If there is a problem with generating that funding, it is a problem that exists in current law, and I think some review should be done about that. The information provided is from Stewart Wegner, the Bond Counsel here in town. It is on the emergency borrowing authority for cities and counties under existing law.

Senator Dotzenrod: SB 2144, the governor's task force bill, has caps in it. Didn't we impose that some categories, and within the categories there were caps in the Code that weren't there before?

John Walstad: You're absolutely correct. It had a lot of restructuring, but I looked at that bill, and it did not change the city or county emergency borrowing and expenditure provisions. It did make some changes in what is part of the General Fund levy for a city or county. That will be new this next tax year. I think the amendment deals with that in the exception in Subsection 2-A. The emergency levies were not affected. They were not lumped in to the General Fund in that bill; they are still stand alone. The mill levy limits that apply are unchanged.

Senator Laffen: I'm thinking of Williston and Watford City right now. I would expect that their property values could easily double in a 5-6 year window. Those communities will

likely need that revenue to grow the city at the rate that they are growing. If we have this sort of cap in here, I would see the likely scenario being that instead of pacing this at 10-10-10 over a series of years, they will get a 20 and then a 3, and then a 20 and then a 3. There is still no limit on what the every other year assessment increase can be; is that correct?

John Walstad: That is correct. The 20 that you talk about for those cities, a substantial part of that is new growth, property that wasn't there. I'm not sure what the mix is. This restriction would basically apply to the tax rate to property that was taxed the prior year.

Senator Oehlke: Did this have any hearing this session, or was it a stand-alone bill this session?

John Walstad: I am not aware that it has been part of anything up until now.

In the amendment on the back page, Subsection 2, you may want to add subsection -c- that any emergency levy added under these provisions to deal with whatever emergency arises.

Representative Dockter: So, we need to make a few more changes before we decide on these amendments?

John Walstad: There are two suggestions:

- Property that has been added to a taxing district be included as outside of the restriction.
- Any emergency levy as something that wouldn't be subject to the restriction.

Chairwoman Steiner: Could you add that and bring it back to the committee?

John Walstad: Yes.

Representative Headland: We have talked about this before, but this issue has been generated from all the notices sent out to taxpayers within the last couple weeks that indicated 15-30% taxable value increases. In many cases political subdivisions take the new growth in value, and they put it into their budget. Then they go to the taxpayers and tell them that they didn't raise their mill levy, so they didn't increase their taxes, when in a sense, they have increased them greatly. I probably should have had this in a bill earlier, but it was really generated because of the notices that have been going out. You can see how important how the notices to the taxpayers really are. The bill as it is, is a really good bill; I just think this gives the taxpayers a little more protection from massive taxable increases.

Senator Dotzenrod: I assume that as we envision our system working in years past, it has been that elected people are accountable. The way that we fix problems locally is by having people stand for election, the election comes up every so many years, they have to defend their record, and the challengers can bring up issues that they feel are legitimate problems within that taxing district. Then, if there are people that they feel are being taken advantage of as property owners, they will vote for a change. If the system that is set up is

really working, then we will see some people get replaced. I think that there is a process in place, and we anticipate that if there are issues with taxes in a county, or any other taxing district, then the voters will have their say and get this straightened out. Maybe I am wrong, and it won't work that way. Maybe the election and the idea that people have to be held accountable for what they do, doesn't really work like it should. So, do we need to do this if we have a system of people being held accountable at election time?

Representative Headland: I agree with you that system is set up to work, and you should be able to replace someone who you don't feel is properly representing your beliefs. But, in reality, I think that what we face is many, many, many of these seats never have opposition. People generally don't want to submit themselves to what goes along with being an elected official. How many people do you get to run for the School Board? How many challenges do you get for the County Commission races or City Commission races? I don't think that it is working like it should. That is my opinion. I see this in my own county. We have three County Commission seats open that are all at large, and there are three sitting commissioners that are the only people on the ballot.

Chairwoman Steiner: How soon do you think you can get this fixed, so we have the full amendment?

John Walstad: Possibly this afternoon. Are there other changes you are considering in order to make a final report type of amendment?

Senator Oehlke: I don't know if we know that now.

John Walstad: I will prepare it just the way that it is as an amendment for consideration that can just be folded in with whatever else is decided.

A prepared statement was distributed to committee members from the City of Fargo. See attachment #3.

The meeting was adjourned.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1057
4/15/2015
26133

☐ Subcommittee
☒ Conference Committee

Committee Clerk Signature

Mary Bruckner

Minutes:

Attachment #1

Chairwoman Steiner: Distributed proposed amendments 15.0020.04003; see attachment #1. At the bottom of 2C on page two Mr. Walstad added the levies for repayment of certificates of indebtedness or other debt incurred by the taxing district in connection with snow removal or a disaster emergency are excluded and do not apply on subsection one to the three percent on the second year.

John Walstad, Legislative Council: In subsection A of page one there's a reference and in the version this morning it said property taxes against improvements to property so property was added there. This is in case property is annexed into a city or something and that new property would have to be subtracted out of the comparison. There are ways for a property to be taken out of a city and that is covered in subsection B.

Chairwoman Steiner: Does anyone have any questions?

Representative Dockter: Made a motion for the house to accede to the senate amendments and further amend.

Senator Oehlke: Second.

Roll call vote: 3 yes 3 no
Motion failed.

Chairwoman Steiner: Is there another motion?

Senator Laffen: The bill came to our side and we added section seven, the legislative management study, without any other amendments to add that is what we're debating in this conference committee. Is that correct?

Chairwoman Steiner: That's correct. The house needs to decide if we're going to accept the study of property tax information, budget hearings, and the feasibility of timing events

on taxation. I don't think the house has a problem with this the way it is. We've discussed it and I think everyone is okay with adding that.

Senator Laffen: Made a motion that the house accede to the senate amendments which would be the last version.

Senator Oehlke: Second.

Roll call vote: 6 yes 0 no 0 absent

Motion carried.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1057

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

Page 1, line 1, after "57-02-53" insert "and 57-15-01.2"

Page 1, line 2, after "increase" insert "and property tax levy dollar increase limitations"

Page 6, after line 4, insert:

"**SECTION 5.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

57-15-01.2. Limitation on levies by taxing districts.

1. Notwithstanding that a taxing district may have property tax levy authority to levy or request a levy on its behalf up to an amount established under any other provision of law, this section supersedes and limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may be applied only to limit any property tax levy authority that a taxing district may otherwise be entitled to use or request. For purposes of this section, "taxing district" includes every political subdivision empowered by law to levy property taxes or to request the levy of property taxes for its use.

If property taxes levied in dollars by or for a taxing district are increased by ten percent or more from the preceding taxable year, property taxes levied in dollars by or for that taxing district in the next succeeding year may not exceed the amount levied in dollars by or for that taxing district in the preceding taxable year by more than three percent. The limitation being determined for a taxable year under this section is subject to adjustment as provided in this subsection.

- a. The determination of the increase in property taxes levied in dollars must exclude consideration of property taxes levied against property and improvements to property which were not taxable in the previous taxable year.
- b. When property that was taxable in the previous taxable year is not taxable in that taxing district for the current year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount of the taxes that were imposed in the previous taxable year against the taxable valuation attributable to that property.
- c. When a property tax exemption existed in the previous taxable year which has been reduced or does not exist, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the taxes that would have been imposed at the mill rate imposed in the previous taxable year against the portion of the taxable valuation of the property which is no longer exempt.

- d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be reduced to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the percentage increase allowable under this subsection is applied.
- 2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:
 - a. New or increased mill levies authorized by state law or the electors of the taxing district, which did not exist in the previous taxable year.
 - b. Any irrepealable tax to pay bonded indebtedness levied in compliance with section 16 of article X of the Constitution of North Dakota.
 - c. Levies for repayment of certificates of indebtedness or other debt incurred by the taxing district in connection with snow removal or a disaster emergency."

Page 6, line 12, replace "This" with "Section 5 of this Act is effective for taxable years beginning after December 31, 2014. Sections 1 through 4 and section 6 of this"

Page 6, line 12, replace "is" with "are"

Renumber accordingly

Date: April 13, 2015

Roll Call Vote #:

**2015 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. 1057 as (re) engrossed

House Finance and Taxation Committee

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

Motion Made by: _____ Seconded by: _____

Representatives	4/13	4/14	4/15	Yes	No		Senators	4/13	4/14	4/15	Yes	No
Chair women Steiner	✓	✓	✓				Senator Laffen	✓	✓	✓		
Representative Dockter	✓	✓	✓				Senator Oehlke	✓	✓	✓		
Representative Schneider	✓	AB	✓				Senator Dotzenrod	✓	✓	✓		
Total Rep. Vote							Total Senate Vote					

Vote Count Yes: _____ No: _____ Absent: _____

House Carrier _____ Senate Carrier _____

LC Number _____ . _____ of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Date: April 15, 2015
Roll Call Vote #: /

2015 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1057 as (re) engrossed

House Finance and Taxation Committee

- Action Taken ☐ HOUSE accede to Senate Amendments
☒ HOUSE accede to Senate Amendments and further amend
☐ SENATE recede from Senate amendments
☐ SENATE recede from Senate amendments and amend as follows

☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Rep. Dockter Seconded by: Sen. Oehlke
Steiner

Representatives	4/15		Yes	No	Senators	4/15		Yes	No
Chairwoman Steiner	✓		✓		Senator Laffen	✓			✓
Representative Dockter	✓		✓		Senator Oehlke	✓			✓
Representative Schneider	✓		✓		Senator Dotzenrod	✓			✓
Total Rep. Vote					Total Senate Vote				

Vote Count Yes: 3 No: 3 Absent: 0

House Carrier 15.002 Senate Carrier _____

LC Number 15.002 . 04003 of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Motion failed.

Date: April 15, 2015
Roll Call Vote #: 2

2015 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1057 as (re) engrossed

House Finance and Taxation Committee

- Action Taken ☒ HOUSE accede to Senate Amendments
☐ HOUSE accede to Senate Amendments and further amend
☐ SENATE recede from Senate amendments
☐ SENATE recede from Senate amendments and amend as follows

☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Sen. Laffen Seconded by: Sen. Oehlke

Representatives	4/15		Yes	No		Senators	4/15		Yes	No
Chairwoman Steiner	✓		✓			Senator Laffen	✓		✓	
Representative Dockter	✓		✓			Senator Oehlke	✓		✓	
Representative Schneider	✓		✓			Senator Dotzenrod	✓		✓	
Total Rep. Vote						Total Senate Vote				

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier No carrier Senate Carrier No carrier

LC Number — . — of amendment

LC Number — . — of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

REPORT OF CONFERENCE COMMITTEE

HB 1057: Your conference committee (Sens. Laffen, Oehlke, Dotzenrod and Reps. Steiner, Dockter, Schneider) recommends that the **HOUSE ACCEDE** to the Senate amendments as printed on HJ page 1302 and place HB 1057 on the Seventh order.

HB 1057 was placed on the Seventh order of business on the calendar.

2015 TESTIMONY

HB 1057

Based on the committee's discussion regarding rural fire protection districts, the committee also reviewed a bill draft to address the manner in which rural fire protection districts increase their levy authority. Under current law, a rural fire protection district may increase its levy limit from 5 mills to 13 mills upon a petition signed by 20 percent of the electors in the district. The bill draft would allow for the same increase, but would require a majority vote by mail election ballot before the increase could be made. The committee modeled the mail ballot election requirements in the bill draft after those already in place for water districts.

Property Tax Statements

The committee reviewed the provisions of Senate Bill No. 2036 (2013) requiring the Tax Commissioner to prescribe the format of property tax statements. The committee received several updates from a representative of the Tax Department on developments in prescribing these forms. The Tax Department obtained and reviewed a sample of the tax statements used in each of the 53 counties. Considerable differences were seen from county to county regarding formatting. The committee expressed concerns that the variation in formatting has been a source of confusion for taxpayers, especially those having property located in more than one county.

Testimony provided by a representative of the Tax Department indicated that the department's review only pertained to ensuring the information required pursuant to Senate Bill No. 2036 (2013) was present on each statement. The required information included the true and full value of the property, the total mill levy applicable, three columns showing the property taxes levied in dollars for the taxable year to which the statement applied and the two preceding taxable years, and a line item entitled "legislative tax relief" identifying the dollar amount of property tax savings realized by the taxpayer.

The committee reviewed samples of existing property tax statements and examples of potential formats for property tax statements. The Tax Department formed a working group composed of interested parties to discuss administrative concerns, formatting ideas, and potential costs associated with creating uniform statements. Testimony from a Tax Department representative indicated that it may not be feasible to require identical statements for every county because different software is used among counties, but the group would work toward creating a "standard" statement. A representative of the Tax Department expressed the opinion that any additional requirements for uniformity among property tax statements would be better addressed administratively than through legislation. The committee reviewed the format that will be used for 2014 tax statements and thanked the Tax Department for its work on the project.

Notice of Increased Assessments

The committee reviewed the portions of Senate Bill No. 2036 (2013) relating to notice requirements. The bill required the Tax Commissioner to prescribe the form of notices assessors are required to send to property owners if the assessed value of a property has increased by \$3,000 or more and 10 percent or more over the prior year's assessment. The bill also required that individuals receiving notices of increased assessments also receive a mailed notice informing them of the taxing districts' budget hearing if the district is considering a property tax increase in a greater number of mills than a zero increase number of mills. The committee received testimony regarding compliance with the two notice requirements and concerns surrounding the costs associated with providing notices. The committee also reviewed options for sending notices, including the ability to send notices via email.

A representative of the Tax Department indicated that the department had received a number of questions and concerns regarding the requirements surrounding notice of increased assessments as well as the volume of notices required to be sent out. It was discovered that some notices of increase were not being sent in counties relying on a 1983 Attorney General opinion, which provided that notice of an assessment increase was not required to be sent if a county board of equalization raises the assessment for an entire class of property 15 percent or more over the prior assessment. The committee considered a bill draft to address situations in which a board of equalization is the source of an order for an increase in the valuation of property that would place the total valuation increase for the property above the 10 percent increase threshold currently requiring notice. The bill draft also included a separate provision requiring notice be sent if a township, city, or county board of equalization or order of the State Board of Equalization results in a property valuation increase of the same threshold that applies to notice from the assessor.

The committee received written testimony from a representative of the Dickey County Office of Tax Equalization expressing concerns regarding the timing surrounding notifications. It was suggested that the if the intent of the bill draft was to notify property owners prior to an increase of at least 10 percent and \$3,000, the notice be sent at least 5 days before the meeting of the governing body approving the increase. If the intent was to notify property owners after the fact, it was suggested that various revisions be made to conflicting language contained in sections relating to increases made by township, city, and county boards of equalization. Lastly, it was suggested that the section regarding notices be moved to a different location in the Century Code where other local and county board of equalization publication requirements are currently placed. Apart from the suggested revisions, the Dickey County representative expressed agreement with the overall intent behind the bill draft.

The committee considered a revised version of the bill draft taking into account the suggestions provided. The revised bill draft contained uniform provisions for city, township, and county boards of equalization and clarified that at any point when a property's assessment is increased by 10 percent and \$3,000 over the prior year's assessment, the entity making the increase must notify the owner. If the local board of equalization is considering an increase that would make the assessment 15 percent or more above the previous year's assessment, the board must provide the owner reasonable advance notice and opportunity to appear. The committee received testimony from a representative of the North Dakota Association of Counties indicating that while the provisions in the revised draft may result in increased costs, the extra cost may be worthwhile if the result is better information being provided to property owners.

Notice of Budget Hearings

The committee also reviewed the notices of budget hearings governing bodies are required to send to those individuals having received a notice of increased assessment if the governing body is considering imposing a property tax levy exceeding a zero increase in the number of mills over that levied in the prior year. The committee found a survey of counties' experiences in sending notices significant in determining whether the provision of notices resulted in increased taxpayer attendance and participating in the budgeting process. The committee received testimony summarizing the responses to questions posed to various county officials. The questions posed related to the costs of complying with notice requirements, any resulting increase in public awareness or attendance at budget hearings, and any increase in dialog regarding levy and budget issues between county commissioners and taxpayers.

Testimony indicated that of the 35 counties comprising the majority of the state's population, 13 counties had preliminary budget estimates in an amount triggering the requirement that individual notices be sent to those taxpayers who had received a notice of increased assessment. A total of 20,607 notices were mailed out from these 13 counties at a cost of \$14,671. An average of \$411 was also spent per county to notice the budget meeting in the newspaper. Of the counties sending individual notices, some reported a measurable amount of interest being generated and a greater number of citizens in attendance at budget hearings due to the notices.

Of the remaining counties whose preliminary budget estimates did not trigger the requirement for individual notices, an average of \$191 was spent per county to notice the budget meeting in the newspaper. Public attendance at the budget meetings in these counties was reported to be extremely low. The overall response of those surveyed indicated that while mailing of notices may have increased attendance at budget meetings, little meaningful dialog was produced, and in some cases, public attendance actually resulted in additional requests for services which would have the effect of increasing property taxes.

The committee also received testimony summarizing comments provided by representatives of the 20 largest cities on their experiences with sending notices of budget hearings. Of the 20 cities surveyed, 6 sent out notices to those taxpayers having received a notice of increased assessment. The main concerns expressed by cities in sending the notices were the number of letters that came back as undeliverable due to changes in ownership; the amount of time it took staff to send notices; confusion on the part of taxpayers as to what the notices meant; and the fact that some taxpayers, such as developers, were receiving individual notices for each of their many properties. Some city representatives indicated the notices had little effect on increased taxpayer participation or dialog in the levy and budgeting process while others felt the process resulted in useful information being provided to taxpayers. A representative of the Bismarck Parks and Recreation District expressed the opinion that the process had been educational and a much greater level of attendance and dialog occurred at the budget meeting as a result of sending notices. A county representative indicated that county officials are interested in helping citizens understand how property taxes are determined and where tax dollars are being expended so citizens can provide better input on the services they wish to keep and those services they feel could be eliminated.

The committee considered a bill draft to provide for elimination of newspaper publication of notice of budget hearings by those taxing districts considering a levy in a greater number of mills than a zero increase number of mills. In place of a published notice, the bill draft requires written notice be provided to every property owner in a taxing district contemplating a levy of greater than zero increase in the number of mills. Notice may be provided by personal delivery, mail, or electronic mail if the owner consents to receive notice in that format. The bill draft also allows for consolidated notices to be provided to individuals or entities owning more than one parcel of property in the taxing district. Testimony provided by a representative of the North Dakota Association of Counties indicated that the change in notice requirements would likely result in substantial costs.

Funding for Social Services

The committee received information from a representative of the North Dakota Association of Counties regarding county revenues and expenditures for social services and information on the number of counties either favoring or opposing state assumption of the funding and operation of social services at the county level. The committee learned that based on state fiscal year 2013, counties incurred an overall increase in expenditures for social services of 7.1 percent and an overall decrease in reimbursements coming from the state of 3.1 percent. This resulted in over a

March 31, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1057

Page 1, line 6, after the semicolon insert "to provide for a legislative management study;"

Page 6, after line 11, insert:

"SECTION 7. LEGISLATIVE MANAGEMENT STUDY - PROPERTY TAX INFORMATION. During the 2015-16 interim, the legislative management shall consider studying delivery and contents of property tax information to taxpayers when the property assessment has been determined by the assessor, when the budget hearing will be held for each taxing district in which the property is located, and when the property tax statement for the taxable year is delivered. The study shall consider the feasibility and desirability of changes to the timing of events scheduled by law for the taxable year and shall consider improvements to the transparency, administration, and understanding of the property tax system. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-fifth legislative assembly."

Renumber accordingly



Hennepin County

A-600 Government Center
300 S. Sixth Street
Minneapolis, MN 55487-0060
612-348-3011 www.hennepin.us

Proposed levies & taxes

2014 values for taxes payable in 2015

2015

VERMONT AVENUE LLC
801 WASHINGTON AVE N #120
MINNEAPOLIS MN 55401-4102

THIS IS NOT A BILL — DO NOT PAY

HB 1057
4-14-15
#1 p.1

Property ID NO: 22-029-24 21 0114
801 WASHINGTON AVE N 120

Property taxes statement schedule

1

Value & classification

TAX YEAR PAYABLE	2014	2015
CLASS:	COM PREFERRED	COM PREFERRED

Estimated Market Value:	\$330,000	\$330,000
Homestead Exclusion:	\$0	\$0
Other Exclusion/Deferral:	\$0	\$0
Taxable Mkt Value:	\$330,000	\$330,000

Step 2

Proposed levies & taxes

2014 TAX	\$13,081.07
2015 PROPOSED	\$12,519.79
Percent change	-4.3%

Now is the time to provide feedback on proposed levies.
It is too late to appeal your value or classification without going to Tax Court.

3

Property tax statement

Coming March 2015, due May 15, 2015 and Oct 15, 2015

Addresses for correspondence	Actual 2014	Proposed 2015	Meeting date & location
Hennepin County A2400 Government Center Minneapolis MN 55487 612-348-3011	\$2,042.56	\$1,921.04	Dec 2, 2014 6:00 PM Commissioner Board Room A2400 Government Center Minneapolis MN 55487
City of Minneapolis Park Board: Remainder of City Tax: Budget Director Room 325M City Hall Minneapolis MN 55415 311	\$528.08 \$2,428.41	\$499.95 \$2,234.55	Dec 10, 2014 6:05 PM Room 317 City Hall 350 5th Street S Minneapolis MN 55415
STATE GENERAL TAX	\$3,051.36	\$2,983.50	No meeting required
School District 001 Voter Approved Levy: Other Local Levies: School District Total Finance Department 1250 West Broadway Minneapolis MN 55411 612-668-0197	\$373.22 \$1,304.13 \$1,677.35	\$388.80 \$1,190.69 \$1,579.49	Dec 9, 2014 6:00 PM Davis Center Board Room 1250 West Broadway Minneapolis MN 55411
Metro Special Taxing Dist. Metropolitan Council 390 Robert Street North St Paul MN 55101-1805 651-602-1647	\$132.99	\$119.63	Dec 10, 2014 6:00 PM Metropolitan Council 390 Robert Street North St Paul MN 55101-1805
Other Spec. Taxing Dist: Local Disparity Tax: Increment Tax:	\$183.01 \$3,037.31	\$165.71 \$3,015.92	No meeting required No meeting required No meeting required
TAX EXCLUDING SPECIAL ASSESSMENTS	\$13,081.07	\$12,519.79	

Check out the convenient payment options available to pay NEXT YEAR's property taxes
<http://www.hennepin.us/propertytaxpayments> or call 612 348-3011

Learn about property taxes: www.hennepin.us/propertytaxes

THIS IS NOT A BILL — DO NOT PAY

Now is the time to provide feedback on proposed levies

Your local units of government have proposed the amount they will need for 2015.

You are invited to attend meetings and express your opinion regarding the 2015 budgets and 2015 proposed property taxes for the county, your city (if population greater than 500), school district and metropolitan special taxing district. School boards will discuss 2014 budgets. Meeting dates and locations are listed on the other side.

Some circumstances could change the proposed amounts:

Upcoming referenda

Legal judgments

Natural disasters

Voter approved levy limit increases

Special assessments

Property tax notices: Steps 1, 2 and 3

Each year property tax payers receive three notices that provide information on the valuation of the property, proposed tax amounts, meetings about proposed levies and budgets, and the amount of taxes due.

Step 1: Valuation and classification notice

Step 1 The first notice, a valuation notice, is sent in March each year. It shows the property classification and the market value that taxes will be assessed at. Properties can be classified in a variety of ways, but the most common are residential and commercial. The market value of your property is determined by the assessor and is based on the classification and market conditions.

This is the time when you can appeal or question how your property is classified or valued. The valuation notice includes details about the appeal process.

Step 2: Proposed levies and taxes

Step 2 The second notice you will receive is for proposed tax amounts for the following year (this notice is also called a Truth-in-Taxation notice). Sent in November, it shows the proposed tax levies for the county, city, school district and other

taxing authorities, such as a watershed district. This statement also shows the amount you will owe, based on your property valuation and classification, if the proposed levies and budgets are passed.

This statement includes the meeting dates where you can provide input on the proposed levies for the county, your municipality, your school district, and other taxing authorities. These meetings must occur after November 24. Once the budgets and tax levies are approved, your property tax is finalized. This amount may be different from the amount in the proposed tax statement.

Step 3: Tax statement

Step 3 The final notice you receive is your tax statement. It shows your property tax value, the amount of taxes due, and when they are due. It also includes payment coupons which can be used when making your tax payment. This statement is mailed in March before the first half of your property tax is due in May (the second half is due in October).

When you receive this notice, you will also want to check with the Minnesota Department of Revenue to see if you qualify for a property tax refund.

Agricultural homestead

SUPPLEMENTAL AGRICULTURAL HOMESTEAD CREDIT

Agricultural homesteads may have received a supplemental agricultural homestead credit in October 2014. This credit was a reduction in property taxes payable in 2014.

Minnesota Laws 2014, Chapter 308, Article 1, Section 14

#1 p.3



Hennepin County

A-600 Government Center
300 S. Sixth Street
Minneapolis, MN 55487-0060
612-348-3011 www.hennepin.us

Property tax statement

2014 values for taxes payable in 2015

2015

TAXPAYER(S):

VERMONT AVENUE LLC
801 WASHINGTON AVE N #120
MINNEAPOLIS MN 55401-4102

Owner: VERMONT AVENUE LLC

Property address:

801 WASHINGTON AVE N # 120

Property description:

ADDITION: CIC NO 1024 801 WASHINGTON LOFT
UNIT NO 120

Property ID number: 22-029-24 21 0114

Property taxes statement schedule

1

Value & classification

TAX YEAR PAYABLE	2014	2015
CLASS(ES):	COM PREFERRED	COM PREFERRED

Estimated Market Value:	330,000	330,000
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Homestead Exclusion:

Other Exclusion/Deferral:

New Improvements/

Expired Exclusions:

	0	0
Taxable Market Value:	330,000	330,000

2

Proposed levies & taxes

2015 Proposed:	12,519.79
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Step 3

Property tax statement

First-half Taxes:	6,245.54
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Second-half Taxes:	6,245.54
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Total Taxes 2015:	12,491.08
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Property tax refund information

Taxes payable in year:

2014

2015

1. Use this amount on Form M1PR to see if you are eligible for a property tax refund.
File by August 15. If this box is checked, you owe delinquent taxes and are not eligible.

☐ Taxes owed

2. Use these amounts on Form M1PR to see if you are eligible for a special refund.

.00

Don't forget to see if you qualify for a property tax refund! Go to www.revenue.state.mn.us for Form M1PR.

Property Tax and Credits

3. Property tax before credits	13,081.07	12,483.39
4. A. Agricultural market value credit	.00	.00
B. Other credits	.00	.00
5. Property taxes after credits	13,081.07	12,483.39

Property Tax by Jurisdiction

6. A. County	1,971.70	1,838.31
B. Regional Rail Authority	70.86	72.37
7. City or Town	2,863.53	2,642.03
8. State General Tax	3,051.36	2,974.14
9. School District:		
A. Voter approved levies	373.22	388.66
B. Other Local Levies	1,304.14	1,180.18
10. Special Taxing Districts:		
A. Metropolitan Special Taxing Districts	132.99	119.72
B. Other Special Taxing Districts	183.00	165.88
C. Tax Increment	.00	.00
D. Fiscal Disparity	3,037.31	3,017.53

11. Non-School Voter Approved Referenda Levies	92.96	84.57
12. Total property tax before fees and Special Assessments	13,081.07	12,483.39
13. A. Special Assessment Principal	7.69	7.69
B. Special Assessment Interest		

14. YOUR TOTAL PROPERTY TAX AND SPECIAL ASSESSMENTS	13,088.76	12,491.08
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Learn about property taxes: www.hennepin.us/propertytaxes

\$\$\$ REFUNDS


Even if you did not qualify in previous years, you **MAY** qualify for one or even two refunds from the State of Minnesota based on your 2015 Property Taxes.

If you owned and occupied this property on January 2, 2015, as your homestead, you may qualify for one or both of the following refunds:

1. You may be eligible for a refund if your taxes exceed certain income-based thresholds, **and** your total household income is less than \$107,150.
2. If you also owned and occupied this property on January 2, 2014, as your homestead, you may be eligible for a refund if your property taxes increased by more than 12 percent and at least \$100 over last year.

If you need Form M1PR and instructions:

 www.revenue.state.mn.us

 **651-296-4444**

 **Minnesota Tax Forms**
Mail Station 1421
St. Paul, MN 55146-1421

Make sure to provide your property ID number on your M1PR to ensure prompt processing.

Senior citizens property tax deferral

The Senior Citizen Deferral Program was established to help senior citizens having difficulty paying property taxes. This program allows senior citizens to leverage the equity in their home, providing two primary advantages:

1. It limits the annual out-of-pocket payment for property taxes to 3 percent of total household income, and
2. It provides predictability. The amount you pay will not change for as long as you participate in this program.

To be eligible, you must be 1) at least 65 years old, 2) with a household income of \$60,000 or less, and 3) have lived in your home for at least 15 years. While in this program, you will only have to pay taxes equal to 3 percent of your net income, with the remaining tax paid by a low interest loan from the State of Minnesota. This is not a tax forgiveness program—the unpaid tax along with accumulated interest will become a lien on the property for future satisfaction, such as upon a sale or disposition of the estate. To receive a fact sheet and application, please call 651-556-4803.

Penalty for late payment of property tax

If you pay your first half or second half property tax after the due dates, a penalty will be added to your tax. The later you pay, the greater the penalty. The table below shows the penalty you will pay if your property taxes are not paid before the date shown.

Property Type:	2015										2016
	May 16	June 1	July 1	Aug 1	Sep 1	Oct 1	Oct 16	Nov 1	Nov 17	Dec 1	Jan 2
Homestead and Cabins											
1st half	2%	4%	5%	6%	7%	8%	8%	8%	8%	8%	10%
2nd half							2%	6%	6%	8%	10%
Both Unpaid							5%	7%	7%	8%	10%
Non-Homestead											
1st half	4%	8%	9%	10%	11%	12%	12%	12%	12%	12%	14%
2nd half							4%	8%	8%	12%	14%
Both Unpaid							8%	10%	10%	12%	14%
Personal Property	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Manufactured Homes											
1st half					8%	8%	8%	8%	8%	8%	8%
2nd half								8%	8%	8%	8%

Note to manufactured home owners: The title to your manufactured home cannot be transferred unless all current and delinquent personal property taxes due at the time of the transfer are paid.

Agricultural homesteads If the due date for your second half property tax payment is November 15 and your property is classified as agricultural homestead property, the penalty rates for late payments are: 6% if you pay from November 17 through November 30; 8% if you pay from December 1 through January 1; and 10% if you pay on January 2, 2016 or later.

Agricultural non-homesteads If the due date for your second half property tax payment is November 15 and your property is classified as agricultural non-homestead property, the penalty rates for late payments are: 8% if you pay from November 17 through November 30; 12% if you pay from December 1 through January 1; and 14% if you pay on January 2, 2016 or later.

Note: The taxes for personal property located on leased government-owned land may be paid in two installments which are due at the same time as real property taxes, and which are subject to the same penalty schedule and penalty rates as real property taxes. All other personal property taxes are due in full on or before May 15, 2015.

Supplemental agricultural homestead credit

Agricultural homesteads may have received a supplemental agricultural homestead credit in October 2014. This credit was a reduction in property taxes payable in 2014.

Minnesota Laws 2014, Chapter 308, Article 1, Section 14

#1 p.5

FOR PAYMENT OPTIONS:

www.hennepin.us/propertytaxpayments
612-348-3011

RENT YEAR real estate taxes may be
paid in person at:

Hennepin County Government Center
6th Floor Administration Tower
300 6th Street South
Minneapolis, MN 55487-0060

Monday – Friday from 8 a.m. to 4:30 p.m.

Or at Hennepin County Service Centers:

Government Center Service Center

300 South 6th St, A Level, Suite A025
Minneapolis, MN 55487

Monday – Friday: 7:30 a.m. to 4:30 p.m.

Brookdale Service Center

6125 Shingle Creek Parkway
Brooklyn Center, MN 55430

Monday – Friday: 9 a.m. to 6 p.m.

Saturday: 9 a.m. to 2 p.m.

Maple Grove Service Center

9325 Upland Lane N
Maple Grove, MN 55369

Monday: 8 a.m. to 7 p.m.

Tuesday, Thursday: 8 a.m. to 5 p.m.

Friday: 8 a.m. to 4 p.m.

Midtown Exchange Service Center

2929 Chicago Avenue South - Lower Level,
Greenway, Minneapolis, MN 55407

Monday – Friday: 9 a.m. to 6 p.m.

Ridgedale Service Center

12601 Ridgedale Drive, Suite 200
Minnetonka, MN 55343

Monday – Friday: 9 a.m. to 6 p.m.

Saturday: 9 a.m. to 2 p.m.

Southdale Service Center

7009 York Avenue South
Edina, MN 55435

Monday – Friday: 9 a.m. to 6 p.m.

Saturday: 9 a.m. to 2 p.m.



Hennepin County

A-600 Government Center
300 S. Sixth Street
Minneapolis, MN 55487-0060

612-348-3011 www.hennepin.us

Check out the payment options:

www.hennepin.us/propertytaxpayments

TAXPAYER NAME OR ADDRESS CHANGE:

If the taxpayer name or mailing address has
changed, please check the box on the front of
the payment stub and complete the change
of information on the back of the payment stub.

Detach and return this stub with your second half payment

2

2nd Half Payment Stub

2015

To avoid penalty, pay on or before October 15, 2015

Taxpayer or Agent

VERMONT AVENUE LLC
801 WASHINGTON AVE N #120
MINNEAPOLIS MN 55401-4102

Munic

01

MTG. Code

☐ Info change
checkbox

Property Address:

801 WASHINGTON AVE N # 120



Property ID Number	Second half tax
22-029-24 21 0114	6,245.54

220292421011400000000000062455424029222101149

Detach and return this stub with your first half payment

1

1st Half Payment Stub

2015

To avoid penalty, pay on or before May 15, 2015

Taxpayer or Agent

VERMONT AVENUE LLC
801 WASHINGTON AVE N #120
MINNEAPOLIS MN 55401-4102

Munic

01

MTG. Code

☐ Info change
checkbox

Property Address:

801 WASHINGTON AVE N # 120



Property ID Number	Full Year Tax	First half tax
22-029-24 21 0114	12,491.08	6,245.54

220292421011400124910800062455424029222101142



Property tax notices:

Each year property taxpayers receive three notices that provide information on the valuation of the property, proposed tax amounts, meetings about proposed levies and budgets, and amount of taxes due.

Step 1**Valuation notice** (Sent in March 2014)

The first notice, a valuation notice, is sent in March each year. It shows the property classification of your property and its value taxes will be assessed at. Properties can be classified in a variety of ways but the most common are residential and commercial. The market value of your property is determined by the assessor and is based on the classification and market conditions.

This is the time when you can appeal or question how your property is classified or valued. The valuation notice includes detail about the appeal process.

Step 2**Proposed taxes** (Sent in November 2014)

The second notice you will receive is for proposed tax amounts for the following year (this notice is also called a Truth-in-Taxation notice). Sent in November, it shows the proposed

tax levies for the county, city, school district and other taxing authorities, such as a watershed district. This statement also shows the amount you will owe, based on your property valuation and classification, if the proposed levies and budgets are passed.

This statement includes the meeting dates where you can provide input on the proposed levies for the county, your municipality, your school district, and other taxing authorities. These meetings are commonly referred to as truth-in-taxation hearings and must occur after November 24. Once the budgets and tax levies are approved, your property tax is finalized. This amount may be different from the amount in the proposed tax statement.

Step 3**Tax statement** (Sent in March 2015)

The final notice you receive is your tax statement. This statement shows your property tax value, the amount of taxes due, and when they are due. It also includes payment coupons which can be used when making your tax payment. It is mailed in March just before the first half of your property tax is due in May (the second half is due in October).

When you receive this notice, you will also want to check with the Minnesota Department of Revenue to see if you qualify for a property tax refund.

PAYMENT INFORMATION

Make check payable to **HENNEPIN COUNTY TREASURER**. Please mail your tax payment in the pre-addressed return envelopes provided for your convenience.

Your canceled check will be your receipt. Please do not mail cash.

our name or mailing address has changed, make changes below.

PLEASE PRINT. *Be sure to check the Info Change box on the front of the payment stub.*

Name _____

Address _____

City, State, Zip Code _____

Mail payment to:

Hennepin County Treasurer
A-600 Government Center
Minneapolis, MN 55487-0060

For payment options:

www.hennepin.us/propertytaxpayments
612-348-3011

PAYMENT INFORMATION

Make check payable to **HENNEPIN COUNTY TREASURER**. Please mail your tax payment in the pre-addressed return envelopes provided for your convenience.

Your canceled check will be your receipt. Please do not mail cash.

If your name or mailing address has changed, make changes below.

PLEASE PRINT. *Be sure to check the Info Change box on the front of the payment stub.*

Name _____

Address _____

City, State, Zip Code _____

Mail payment to:

Hennepin County Treasurer
A-600 Government Center
Minneapolis, MN 55487-0060

For payment options:

www.hennepin.us/propertytaxpayments
612-348-3011

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1057

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

Page 1, line 1, after "57-02-53" insert "and 57-15-01.2"

Page 1, line 2, after "increase" insert "and property tax levy dollar increase limitations"

Page 6, after line 4, insert:

"**SECTION 5.** Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

57-15-01.2. Limitation on levies by taxing districts.

1. Notwithstanding that a taxing district may have property tax levy authority to levy or request a levy on its behalf up to an amount established under any other provision of law, this section supersedes and limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may be applied only to limit any property tax levy authority that a taxing district may otherwise be entitled to use or request. For purposes of this section, "taxing district" includes every political subdivision empowered by law to levy property taxes or to request the levy of property taxes for its use.

If property taxes levied in dollars by or for a taxing district are increased by ten percent or more from the preceding taxable year, property taxes levied in dollars by or for that taxing district in the next succeeding year may not exceed the amount levied in dollars by or for that taxing district in the preceding taxable year by more than three percent. The limitation being determined for a taxable year under this section is subject to adjustment as provided in this subsection.

- a. The determination of the increase in property taxes levied in dollars must exclude consideration of property taxes levied against improvements to property which were not taxable in the previous taxable year.
- b. When property that was taxable in the previous taxable year is not taxable in that taxing district for the current year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount of the taxes that were imposed in the previous taxable year against the taxable valuation attributable to that property.
- c. When a property tax exemption existed in the previous taxable year which has been reduced or does not exist, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the taxes that would have been imposed at the mill rate imposed in the previous taxable year against the portion of the taxable valuation of the property which is no longer exempt.

- d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be reduced to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the percentage increase allowable under this subsection is applied.
- 2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:
 - a. New or increased mill levies authorized by state law or the electors of the taxing district, which did not exist in the previous taxable year.
 - b. Any irrepealable tax to pay bonded indebtedness levied in compliance with section 16 of article X of the Constitution of North Dakota."

Page 6, line 12, replace "This" with "Section 5 of this Act is effective for taxable years beginning after December 31, 2014. Sections 1 through 4 and section 6 of this "

Page 6, line 12, replace "is" with "are"

Renumber accordingly

CITY EMERGENCY BORROWING AND EXPENDITURE

Cities are authorized to borrow and/or make expenditures in certain emergency situations:

- A. Pursuant to NDCC §21-03-07(9), a city, by resolution adopted by a two-thirds vote, is authorized to issue general obligation bonds without an election for the purpose of providing funds to pay costs associated with an emergency condition. Prior to issuance of the bonds, the Governor must have issued an executive order or proclamation of a state of disaster or emergency pursuant to NDCC Chapter 37-17.1. 5% or 8% debt limit applies.
- B. NDCC Section 40-40-18 addresses any emergency caused by the destruction or impairment of any municipal property necessary for the conduct of the affairs of the municipality, or by epidemic or threatened epidemic, or by a judgment for damages against the municipality. In such cases, if the municipality has not reached its debt limit, the governing body by two-thirds vote of members present may order its executive officer to borrow money sufficient to meet the emergency. Any amount so borrowed must be for a time not to extend beyond the close of the fiscal year. The resolution authorizing any emergency expenditure must recite the facts showing the existence of an emergency. As an alternative to borrowing, the governing body may vote by two-thirds of the members present to take the amount necessary to meet the emergency from any other fund or funds.
- C. The governing body of any city by a two-thirds vote may levy an annual tax of up to 2 and one-half mills for snow removal, natural disaster, or other emergency conditions. NDCC Section 57-15-48. The levy must be discontinued when the amount of unexpended funds raised by this levy plus the amount due the fund from outstanding taxes equals the amount produced by a levy of five mills on the taxable valuation or five dollars per capita, whichever is greater.
- D. The governing body of a city is authorized to accept a loan for purposes of emergency management. NDCC Section 37-17.1-18(2).
- E. Pursuant to NDCC §37-17.1-20 the governor may obtain, on behalf of local governments including cities, federal community disaster loans.
- F. NDCC Chapter 21-02 permits a city to borrow in anticipation of receiving state and federal grants through the issuance of Certificates of Indebtedness.
- G. Temporary Emergency Flood Control Protection – a city may create a special assessment district to cover the costs incurred in removing the material used and in repairing damages caused by the operation of equipment while installing or removing temporary emergency flood protection systems. NDCC Section 40-22-01.1.

COUNTY EMERGENCY BORROWING AND EXPENDITURE

Counties are authorized to borrow and/or make expenditures in certain emergency situations.

- A. Pursuant to NDCC §21-03-07(9), a county, by resolution adopted by a two-thirds vote, is authorized to issue general obligation bonds without an election for the purpose of providing funds to pay costs associated with an emergency condition. Prior to issuance of the bonds, the Governor must have issued an executive order or proclamation of a state of disaster or emergency pursuant to NDCC Chapter 37-17.1.
- B. NDCC Section 57-15-28 authorizes a county to levy 2 mills for emergency purposes.¹ The taxes collected under this section must be used only for "emergency purposes caused by the destruction or impairment of any county property necessary for the conduct of the affairs of the county, emergencies caused by nature or by the entry by a court of competent jurisdiction of a judgment for damages against the county." The emergency fund may not be used for road construction or maintenance, except for repair of roads damaged by nature within 60 days preceding a determination to expend emergency funds.² A home rule county may be able to supersede the restrictions contained in Section 57-15-28.³
- C. NDCC Chapter 57-47 authorizes a county to levy 3 mills whenever all taxes to be levied in any one year are insufficient to carry on primary governmental functions. Counties may issue bonds payable from the 3 mills. The bond must mature within 5 years.
- D. NDCC Chapter 21-02 permits a county to borrow in anticipation of receiving state and federal grants through the issuance of Certificates of Indebtedness.
- E. A home rule county has broad authority to issue bonds and levy taxes if the appropriate powers are provided for in the home rule charter and implemented by ordinance.⁴
- F. The governing body of a county is authorized to accept a loan for purposes of emergency management.⁵ Pursuant to NDCC Section 37-17.1-20 the governor may obtain, on behalf of local governments including counties, federal community disaster loans.⁶
- G. *Temporary Emergency Flood Control Protection* – a county may create a special assessment district to cover the costs incurred in removing the material used and in repairing damages caused by the operation of equipment while installing or removing temporary emergency flood protection systems.⁷
- H. Public Bidding – public bidding is not required in emergency situations under NDCC Section 48-01.2-04.

¹ 2 mills in a county with a population of 30,000 or more; 4 mills in a county with a population under 30,000 but more than 5,000; and 6 mills in a county with a population of 5,000 or fewer. H.B. 1225 § 1 (2011).

² ND Op. Atty Gen. 97-L-175 (Oct. 24, 1997) (NDCC § 11-23-07 authorizes counties to indirectly spend emergency funds for non-emergency purposes). See also NDCC § 24-05-20(2); N.D. Op. Atty Gen. 2001-L-43 (Oct. 18, 2001); N.D. Op. Atty Gen. L-249 (Oct. 27, 1995); N.D. Op. Atty Gen. 74-136 (Dec. 18, 1974); N.D. Op. Atty Gen. 69-377 (Oct. 16, 1969).

³ ND Op. Atty Gen. 2009-L-07 (April 24, 2009).

⁴ NDCC § 11-09.1-05

⁵ NDCC § 37-17.1-18(2).

⁶ Prior law authorized a tax levy equal to the amount required to match federal funds. S.L. 1997, ch. 18. S.L. 1999, ch. 498 (repealing this tax levy).

⁷ NDCC Section 40-22-01.1.

City of Fargo
Legislative Testimony on Proposed Amendments to HB 1057
Property Tax Limitations
April 15, 2015

Representatives Schneider, Dockter, Steiner and Senators Oehleke, Laffen and Dotzenrod, my name is Kent Costin and I am the Director of Finance for the City of Fargo. We are pleased to present written testimony on the proposed amendments to HB 1057.

Fargo City Officials have reviewed the proposed amendments to HB 1057 and would urge a DO NOT pass vote on the amendments.

Property tax limits are being considered in the bill amendments. After looking them over the amendments we wanted to inform you that all of our special assessment bonds that have been issued for critical infrastructure have a property tax pledge. The current amount outstanding is approximately \$330 million. In the event that special assessment revenues are insufficient to pay our outstanding debt service obligations as they come due, we are required to levy property taxes to cure this deficiency. We believe that having property tax limits in place will impair this legal pledge and could damage our bond rating because the limits could limit the amount of taxes needed to cure a deficiency. If credit ratings decline because of the imposition of property tax limits this would cost North Dakota taxpayers millions of dollars in higher interest costs and will drive up the cost of special assessments. It is imperative that we keep this pledge in place it currently exists because our growth demands the use of special assessments.

Fargo, as well as many other North Dakota cities relies on special assessment financing and the sale of long term bonds to fund our core infrastructure. Please do not impose limitations that could jeopardize this long standing business practice. It is the tax pledge and the ability to cure potential deficiencies that keeps our financing affordable using tax exempt municipal bonds.

There are several scenarios that could invoke the need to make large deficiency levies. The most prevalent and high risk scenario would be a major flood event. If Fargo was to experience a catastrophic flood causing widespread damage it is highly likely that we would see a sudden and unforeseen spike in delinquent special assessments. Our citizens would be struggling to put their lives back together and paying their special assessments may not be their top priority. Our annual debt payments on our special assessment bonds are approximately \$25 - \$30 million per year, in aggregate. Declining revenue collection from special assessments would trigger the need to raise property taxes as we have pledged to do in our bond covenants. Other natural disasters could have the same negative financial impact.

It is impossible to predict the future; however we have a property tax pledge in place. The ten percent limit followed by a three percent increase in the subsequent year may not be enough for us to meet our existing bond commitments in the scenarios described above.

We believe that the exemption provided for in section 2(B) is not applicable since section 16 of Article X of the Constitution of North Dakota relates to a tax already levied. In the case of special assessment bonds, special assessments are levied and the promise of a General Obligation pledge to levy property taxes for deficiencies is in place. The amendments do not seem to address this issue since a deficiency would trigger the need to raise taxes to cure this item. The tax limits would prevent us from using property taxes to cure this deficiency. This is a complicated but very important issue and all measures should be taken to preserve our General Obligation pledge. Thank you for this opportunity to express our concerns.

We urge a DO NOT pass on the amendments that impose property tax limitations.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1057

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

Page 1, line 1, after "57-02-53" insert "and 57-15-01.2"

Page 1, line 2, after "increase" insert "and property tax levy dollar increase limitations"

Page 6, after line 4, insert:

"SECTION 5. Section 57-15-01.2 of the North Dakota Century Code is created and enacted as follows:

57-15-01.2. Limitation on levies by taxing districts.

1. Notwithstanding that a taxing district may have property tax levy authority to levy or request a levy on its behalf up to an amount established under any other provision of law, this section supersedes and limits that authority. This section may not be interpreted as authority to increase any levy limitation otherwise provided by law and may be applied only to limit any property tax levy authority that a taxing district may otherwise be entitled to use or request. For purposes of this section, "taxing district" includes every political subdivision empowered by law to levy property taxes or to request the levy of property taxes for its use.

If property taxes levied in dollars by or for a taxing district are increased by ten percent or more from the preceding taxable year, property taxes levied in dollars by or for that taxing district in the next succeeding year may not exceed the amount levied in dollars by or for that taxing district in the preceding taxable year by more than three percent. The limitation being determined for a taxable year under this section is subject to adjustment as provided in this subsection.

- a. The determination of the increase in property taxes levied in dollars must exclude consideration of property taxes levied against property and improvements to property which were not taxable in the previous taxable year.
- b. When property that was taxable in the previous taxable year is not taxable in that taxing district for the current year, the amount levied in dollars in the previous taxable year by the taxing district must be reduced by the amount of the taxes that were imposed in the previous taxable year against the taxable valuation attributable to that property.
- c. When a property tax exemption existed in the previous taxable year which has been reduced or does not exist, the amount levied in dollars in the previous taxable year by the taxing district must be adjusted to reflect the taxes that would have been imposed at the mill rate imposed in the previous taxable year against the portion of the taxable valuation of the property which is no longer exempt.

- d. When temporary mill levy increases authorized by the electors of the taxing district or mill levies authorized by state law existed in the previous taxable year but are no longer applicable or have been reduced, the amount levied in dollars in the previous taxable year by the taxing district must be reduced to reflect the expired temporary mill levy increases and the reduced or eliminated mill levies authorized by state law before the percentage increase allowable under this subsection is applied.
- 2. The limitation on the total amount levied by a taxing district under subsection 1 does not apply to:
 - a. New or increased mill levies authorized by state law or the electors of the taxing district, which did not exist in the previous taxable year.
 - b. Any irrepealable tax to pay bonded indebtedness levied in compliance with section 16 of article X of the Constitution of North Dakota.
 - c. Levies for repayment of certificates of indebtedness or other debt incurred by the taxing district in connection with snow removal or a disaster emergency."

Page 6, line 12, replace "This" with "Section 5 of this Act is effective for taxable years beginning after December 31, 2014. Sections 1 through 4 and section 6 of this"

Page 6, line 12, replace "is" with "are"

Renumber accordingly