

FISCAL NOTE
Requested by Legislative Council
02/10/2015

Amendment to: HB 1299

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$242,000,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1299 creates a homestead credit property tax reduction for all primary residences in the state.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Engrossed HB 1299 creates a broad-based homestead credit of \$600 for a homeowner's primary residence and up to \$1000 for homeowners aged 65 and older. Exempt farm residences are allowed a credit for taxes on 640 acres up to \$600.

If enacted, engrossed HB 1299 is expected to increase expenditures by an estimated \$242 million in the 2015-17 biennium.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

There is an appropriation for continuation of the 12% state-paid property tax relief credit contained in the budget for the state treasurer.

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 701-328-3402

Date Prepared: 02/12/2015

FISCAL NOTE
Requested by Legislative Council
01/13/2015

Bill/Resolution No.: HB 1299

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$16,800,000		\$16,800,000	
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill expands the homestead tax credit program by increasing the maximum income limit from \$42,000 to \$100,000 and by excluding Social Security, disability, and retirement benefits from the definition of income.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The current homestead tax credit program provides a state-paid credit against property taxes for persons age 65 and older, or persons who are permanently and totally disabled, with annual income less than \$42,000, and assets that do not exceed \$500,000. The credit applies to up to \$100,000 of taxable value, with a maximum reduction of 100% for those with annual income less than \$22,000. This bill adjusts the income brackets and increases the upper limit from \$42,000 to \$100,000. The lowest income bracket, which would receive a 100 percent reduction on up to \$100,000 of true and full value, includes applicants with income up to \$40,000. The bill also changes the definition of income for the purpose of determining eligibility for the program by excluding Social Security, disability, and retirement benefits.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The \$38.8 million appropriation required to fund the homestead tax credit program, as proposed in this bill, is an increase of \$16.8 million over the estimated cost to continue the program with no change. The executive recommendation includes \$30 million for the homestead tax credit program in the recommended budget for the Tax Department (SB2006).

Name: Joe Morrissette

Agency: Tax Department

Telephone: 701-328-3033

Date Prepared: 01/19/2015

2015 HOUSE FINANCE AND TAXATION

HB 1299

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1299
1/20/2015
22208

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill relating to expanded eligibility for the homestead credit property tax reduction.

Minutes:

Attached amendment #1, attachment #2

Chairman Headland: Opened hearing.

Representative Kasper: Introduced bill. Provided amendment 15.0281.01001. See attached amendment #1. (Ended review at 7:40) We need to decide on the policy we wish to have in the state of North Dakota; do we want to focus on our citizens who live here and own residences and as they get older have more significant problems paying property taxes and allowing them to have a better chance at keeping their homes or do we want to keep our current policy and pass this 12% property tax credit that we enacted in the last legislative session. That is for the committee to decide.

Representative Haak: You talked about being eligible for the homestead tax credit even though you're in the nursing home facility and then you related to that if they are renting it then you're okay with that. Doesn't that kind of get in to this is becoming a business now? I don't want to encourage homes to be standing open but they are renting it out and making a profit off that.

Representative Kasper: That's your decision in the committee. I look upon circumstances where there is maybe no market or limited market and you still want to have some type of income because the property taxes have to be paid whether you're in a nursing home or living in a house. You might want to consider that. The bill does not allow that so you'd have to amend that if you wanted to allow that.

Representative Froseth: The fiscal note is \$16.8 million per biennium. The changes in your hog house amendment do not change the fiscal note.

Representative Kasper: I think that was for the original bill that was before you. With this new bill which is quite a bit beyond what the original bill did, the fiscal note would be prepared for you but I think it will be about \$250 million per biennium. Our current property tax credit which is now going away was \$240 million so this would be about the same.

Representative Froseth: The 12% we had last biennium included all properties. This is just going to the homestead credit. Aren't we going to get quite a few complaints about that since the Ag property doesn't get a credit also?

Representative Kasper: Two things I forgot to mention; for those who are farming and live in a residence on their farm this would allow those individuals to have a property tax credit against farmland they own. Number two is that under the 12% property tax credit that is now sun setting, commercial ag and residences receive that so this will be and in state and out of state. This is targeting North Dakota residents only who own a residence in our state and for their residence so there is a big difference.

Chairman Headland: If you're 65 years of age or older, regardless of income, this bill will offer an additional \$1,000 of property tax relief to any household. For anybody under 65 that owns property, no matter what your age, you're going to get \$600. That same ratio would apply to 640 acres of Ag property, is that correct?

Representative Kasper: That's correct about anyone under 65 gets \$600 regardless of income. Regarding the Ag land, if a farmer lives on a farmstead and does not pay property tax on the farmstead then that \$1,000 or that \$600 would be a credit they could use against the Ag land they own.

Chairman Headland: Any questions for Representative Kasper? Is there any testimony in support of HB 1299? Is there any opposition to HB 1299? Are there any questions for the tax department?

Representative Klein: He mentioned \$250 million; is that somewhere in the ballpark?

Sara Meier, Property Tax Specialist with Office of Tax Commissioner: I don't know that we have worked on a fiscal note for this yet. If we consider about 250,000 residences in the state of North Dakota then that would be a good estimate; \$1,000 for each.

Representative Froseth: The effective date on this one is also December 31, 2014. Is that going to create the same problems as the previous two bills we've heard?

Sara Meier: The 2015 tax would be the first one to receive this credit and that doesn't come out until 2016 so the real property probably won't be an issue. We'll mull that over and see how that is affected. We haven't seen this hog house bill so we don't know how this would be affected.

Chairman Headland: We would appreciate the answers to those questions. We won't do anything with this bill until we get a fiscal on this.

Sara Meier: I have the same question you have regarding the rural residences. We don't know where the rural residences are so I don't know how we would get that refund or credit back to them. That will be the difficulty.

Chairman Headland: Thank you. If there are no further questions for the tax department we will close the hearing on HB 1299.

*Additional testimony submitted from **Donald Flaherty, Dickey County Director of Tax Equalization** but he was not present at the hearing: See attachment #2.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1299
2/3/2015
23133

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Bruster

Explanation or reason for introduction of bill/resolution:

A Bill relating to expanded eligibility for the homestead credit property tax reduction.

Minutes:

Attachment #1, 2

Chairman Headland: Representative Kasper had provided an amendment dated January 28, 2015 from Office of State Tax Commissioner. See attachment #1.

Representative Dockter: **MADE A MOTION TO ADOPT THE AMENDMENT DATED JANUARY 28, 2015.**

Vice Chairman Owens: **SECONDED.**

Representative Froseth: There is no page ten.

Representative Dockter: The last amendment stated page 5 so I think that was the actual page number. **WITHDREW AMENDMENT MOTION**

Vice Chairman Owens: **WITHDREW SECOND.**

Representative Dockter: The amendment should be on page 5 line 4 after December 31, 2014.

Representative Klein: Are these the amendments for .01001?

Chairman Headland: We're looking at the amendments the tax department sent out.

Representative Dockter: It should read page 5 line 4 after 2014.

Representative Dockter: **MADE A MOTION TO ADOPT THE AMENDMENT OF JANUARY 28, 2015 AND CHANGE IT TO PAGE 5 LINE 4 AND INSERT LANGUAGE.**

Representative Steiner: **SECONDED.**

VOICE VOTE: MOTION CARRIED TO ADOPT AMENDMENT.

Chairman Headland: There's another amendment from Representative Kasper in a Christmas tree version.

Representative Froseth: I believe the fiscal note with this set of amendments from number three on down replaces the 12% property tax credit off the 2013-15 and that was offered as a homestead tax credit so that's where the \$250 million comes in.

Chairman Headland: That would be the intent of Representative Kasper but the bill doesn't eliminate that program so it's just going to be another whole new program. The 12% was not meant to be a permanent program. This would obligate us unless we put a sunset on it.

Representative Kading: Do rentals get excluded by this bill?

Vice Chairman Owens: Are you talking about the renters or the person who owns the rental property?

Representative Kading: The person that owns the rental property.

Vice Chairman Owens: No, they could still qualify as a property owner.

Representative Klein: Is there a new fiscal note on this?

Chairman Headland: No, we are waiting on that. I thought it was understood that this was a replacement of the 12 percent. I wanted everyone to understand what his hog house amendment did so when we got the fiscal note we could move on it rather than having to figure what the bill did.

Vice Chairman Owens: Explained the Christmas tree version of the bill 15.0281.01001. See attachment #2. It puts in the current Homestead Act just as it operates now; it just changes the word person to individual. It does not reduce or affect any special assessment like the current law now. We still have 20% of annual rent in there. At the beginning of subsection three, if you qualify under subsection one you get that and now you get the rest of this on top of that. Any individual 65 years of age or older or permanently or totally disabled get \$1,000 off their property tax. If you're not 65 years old but you are permanently or totally disabled you get \$600 off property tax. It also has the same exemption if you're confined to a nursing home you can still get it; you don't have to reside in your homestead if you're confined to a nursing home otherwise it is your homestead and it's only for one person. Then it says the subsection of \$1,000 can be applied to agricultural property if you own 640 acres or more then it's exempt as a homestead.

Chairman Headland: The credit would apply to both residential and agricultural if you own 640 acres.

Vice Chairman Owens: It's levied against up to 640 acres; that's the cutoff. If you own 4,000 acres you're only going to get it on the first 640 acres or up to the 640 acres.

Representative Dockter: There's no mention of income level assets or anything else.

Vice Chairman Owens: No, that's still there. Subsection 3 is in addition to the current Homestead Act so if you qualify for the current Homestead Act you can get that as well as this.

Representative Strinden: Let's say my husband and I are 65 years old; we own a home and rent out the basement. If we were living in a nursing home and rented out our home we wouldn't get the credit, right?

Vice Chairman Owens: That's not what it says. It says that if you and your husband are age 65 and confined to a nursing home you still get the credit.

Representative Strinden: It says for as long as the portion of the homestead previously occupied by the individuals not rented to another individual.

Vice Chairman Owens: I stand corrected. Thank you.

Chairman Headland: Lines 24 and 25, correct?

Representative Strinden: Yes.

Vice Chairman Owens: I believe that's in current code, it just slipped my mind.

Chairman Headland: Does everybody understand what Representative Kasper wants to do? I would suggest adding language repealing the tax credit if we're considering this change.

Representative Steiner: I would get that amendment.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1299
2/9/2015
23524

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A bill relating to expanded eligibility for the homestead credit property tax reduction.

Minutes:

Attachment #1, 2

Chairman Headland: This is Representative Kasper's homestead tax credit. See attached amendment 15.0281.01001 and memo from Kathy Strombeck with an estimated fiscal note. See attachments 1 and 2.

Representative Steiner: I like that this is in place of the 12% which goes to out of state plus corporate across the board. This applies to people who live in North Dakota. I think there's a difference between someone who is taking income and living somewhere else in the country than someone who is giving us their time and talent by living in the state. I prefer doing more tax relief with the homestead tax credit concept than the 12% which I guess is now 10 percent. I thought the house should have the chance to debate the two concepts and that's why I like it. We wouldn't do both; the idea is to do one or the other. The 12% was \$250 million so they are fairly close fiscally. We would probably still need to do something for corporate because I don't want to leave them out of the loop.

Chairman Headland: I can agree with some of the things you said but if this is to be considered property tax relief and not a permanent program I just can't go along with treating residential property differently than all classes of property. This committee has always thought it was fair to relieve all property equally and this bill is going to change that procedure. I note your concern with the money going out of state.

Representative Hatlestad: The 12% is everybody while homestead credit is highly selective. I don't disagree with keeping that in North Dakota but this makes it highly selective and you leave out a large percentage of North Dakota population.

Representative Kading: If I own 25 rental properties would I get the homestead credit on each of those or just on one?

Chairman Headland: In this bill you wouldn't get any. It's only directed at your residents or there's a provision for Ag property. There isn't anything for commercial property in this bill.

Vice Chairman Owens: If you're 65 years of age or older and below a certain income you could actually get two deductions because you'd get this one under the old homestead act and then you'd get this new thing added on for the \$1,000.

Chairman Headland: That is correct. We would actually be increasing the levels to the current homestead tax credit policy.

Representative Steiner: Made a motion to ADOPT AMENDMENT.

Representative Toman: SECONDED.

VOICE VOTE: MOTION CARRIED.

Vice Chairman Owens: Mr. Walstad, this amendment just deleted the whole Homestead Act as we know it today.

John Walstad, Legislative Council: I'm not sure.

Vice Chairman Owens: If you make this much but below this much it deletes all that out of the bill. So it's a double for some?

John Walstad: It's not a double exactly.

Vice Chairman Owens: Unless there's something in here that says you can't get both.

John Walstad: You can get both but there are some people that don't get (inaudible as microphone was not on).

Representative Kading: MADE A MOTION FOR A DO NOT PASS AS AMENDED.

Representative Dockter: SECONDED.

Representative Steiner: When you have money that you leave in state it will spin itself around in state. If you send that money out of state chances for it coming back to be invested in our state the chances are it's gone for good. I think this is a better economic policy for us.

Chairman Headland: I can't argue the fact that some of this money is leaving the state but this bill would shift a lot of property tax relief that is currently going to North Dakota residents through their commercial and Ag ownership and shifts that to residential. I don't support that.

Vice Chairman Owens: I agree with you, Representative Steiner. I have a problem with this bill in that we have some people who are already receiving a homestead act and now

we're going to pile them up some more without giving other people. This is not the vehicle in my opinion.

Representative Steiner: I think you can add a small corporate piece to Representative Kading's concerns. Maybe you don't have to do the full \$242 but maybe a little less with \$50 million to corporate; you can make it work. I like this concept better than the 12% every session going out the door.

Chairman Headland: We've had these discussions and it needs to be pointed out that in areas of commercial and possibly in Ag property you may have multiple owners; some may be residing in the state and some may be residing out of the state so how are you going to take care of all that business. Are you going to give the owner that lives here a little of that relief and then the poor owner that lives in Minnesota is not going to get any? It just creates a hodge podge for people to have to figure out.

Representative Dockter: I'm in a partnership and six are from Minnesota and four of us are in North Dakota. The Minnesota company bought the business in North Dakota and wanted to buy the building so we bought the building together. They still employ 60 people which has payroll. There's out of state we give them but I think they will still invest and will keep investing in North Dakota because we're a good state and we have a good business climate.

Chairman Headland: That's a great point.

**ROLL CALL VOTE: 9 YES 4 NO 1 ABSENT
MOTION CARRIES FOR DO NOT PASS AS AMENDED**

Representative Kading will carry this bill.

Prepared by the
North Dakota Office of State Tax Commissioner
House Finance and Taxation
January 28, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1299

Page 10, line 6, after "2014" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2015, for mobile home taxes"

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1299

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code, relating to expanded eligibility for the homestead credit property tax reduction; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

57-02-08.1. Homestead credit.

1. a. Any ~~person~~individual sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the ~~person's~~individual's homestead. An exemption under this subsection applies regardless of whether the ~~person~~individual is the head of a family.
- b. The exemption under this subsection continues to apply if the ~~person~~individual does not reside in the homestead and the ~~person's~~individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the ~~person~~individual is not rented to another ~~person~~individual.
- c. The exemption must be determined according to the following schedule:
 - (1) If the ~~person's~~individual's income is not in excess of twenty-two thousand dollars, a reduction of one hundred percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of four thousand five hundred dollars of taxable valuation.
 - (2) If the ~~person's~~individual's income is in excess of twenty-two thousand dollars and not in excess of twenty-six thousand dollars, a reduction of eighty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of three thousand six hundred dollars of taxable valuation.
 - (3) If the ~~person's~~individual's income is in excess of twenty-six thousand dollars and not in excess of thirty thousand dollars, a reduction of sixty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of two thousand seven hundred dollars of taxable valuation.

- (4) If the ~~person's~~individual's income is in excess of thirty thousand dollars and not in excess of thirty-four thousand dollars, a reduction of forty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of one thousand eight hundred dollars of taxable valuation.
 - (5) If the ~~person's~~individual's income is in excess of thirty-four thousand dollars and not in excess of thirty-eight thousand dollars, a reduction of twenty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of nine hundred dollars of taxable valuation.
 - (6) If the ~~person's~~individual's income is in excess of thirty-eight thousand dollars and not in excess of forty-two thousand dollars, a reduction of ten percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of four hundred fifty dollars of taxable valuation.
- d. ~~Persons~~Individuals residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. ~~Persons~~Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
 - e. This subsection does not reduce the liability of any ~~person~~individual for special assessments levied upon any property.
 - f. Any ~~person~~individual claiming the exemption under this subsection shall sign a verified statement of facts establishing the ~~person's~~individual's eligibility.
 - g. ~~A person~~An individual is ineligible for the exemption under this subsection if the value of the assets of the ~~person~~individual and any dependent residing with the ~~person~~individual exceeds five hundred thousand dollars, including the value of any assets divested within the last three years.
 - h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
 - i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
2. a. Any ~~person~~individual who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the ~~person~~individual rents living quarters is eligible for refund of a portion of the ~~person's~~individual's annual rent deemed by this subsection to constitute the payment of property tax.
 - b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as

payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the ~~person's~~individual's annual income, but the refund may not be in excess of four hundred dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. ~~Persons~~Individuals who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. ~~Persons~~Individuals who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that ~~person~~individual.
 - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the ~~person~~individual claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
 - e. This subsection does not apply to rents or fees paid by a ~~person~~an individual for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
 - f. A ~~person~~An individual may not receive a refund under this section for a taxable year in which that ~~person~~individual received an exemption under subsection 1.
3. The credit provided under this subsection applies without regard to eligibility for the exemption provided under subsection 1. The credit under this subsection applies in addition to any exemption for which an individual is eligible under subsection 1.

Any individual sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied is entitled to receive a state-paid credit of one thousand dollars against the total property taxes levied against that individual's homestead in that taxable year regardless of whether the individual is the head of a family.

Any individual who is not sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied is entitled to receive a state-paid credit of six hundred dollars against the total property taxes levied against that individual's homestead in that taxable year regardless of whether the individual is the head of a family.

The credit under this subsection continues to apply if the individual does not reside in the homestead and the individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the individual is not rented to another individual.

Individuals residing together, as spouses, or when one or more is a dependent of another, are entitled to only one credit between or among them under this subsection. Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full credit under this subsection equal to their ownership interests in the property.

Any individual claiming the credit under this subsection shall sign a verified statement of facts establishing the individual's eligibility for the initial year of eligibility. The auditor shall attach the statement filed under this subsection to the assessment sheet and shall show the reduction on the tax list. A credit under this subsection terminates at the end of the taxable year in which the individual transfers ownership of the property or ceases to occupy the property as a homestead.

4. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
- 4.5. ~~A person~~An individual whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax ~~credit~~exemption ~~under this section~~subsection 1 but the credit under subsection 3 may be applied against property taxes levied against up to six hundred forty acres of agricultural property associated with the exempt homestead.
- 5.6. For the purposes of this section:
 - a. "Dependent" has the same meaning it has for federal income tax purposes.
 - b. "Homestead" has the same meaning as provided in section 47-18-01.
 - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
 - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the ~~person~~individual may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
 - e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of

disability from the social security administration or any federal or state agency that has authority to certify an individual's disability.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2014."

Renumber accordingly

Stalls
1/5

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1299

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code, relating to expanded eligibility for the homestead credit property tax reduction; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

57-02-08.1. Homestead credit.

1. a. Any ~~person~~individual sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the ~~person's~~individual's homestead. An exemption under this subsection applies regardless of whether the ~~person~~individual is the head of a family.
- b. The exemption under this subsection continues to apply if the ~~person~~individual does not reside in the homestead and the ~~person's~~individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the ~~person~~individual is not rented to another ~~person~~individual.
- c. The exemption must be determined according to the following schedule:
 - (1) If the ~~person's~~individual's income is not in excess of twenty-two thousand dollars, a reduction of one hundred percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of four thousand five hundred dollars of taxable valuation.
 - (2) If the ~~person's~~individual's income is in excess of twenty-two thousand dollars and not in excess of twenty-six thousand dollars, a reduction of eighty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of three thousand six hundred dollars of taxable valuation.
 - (3) If the ~~person's~~individual's income is in excess of twenty-six thousand dollars and not in excess of thirty thousand dollars, a reduction of sixty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of two thousand seven hundred dollars of taxable valuation.

- (4) If the ~~person's~~individual's income is in excess of thirty thousand dollars and not in excess of thirty-four thousand dollars, a reduction of forty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of one thousand eight hundred dollars of taxable valuation.
 - (5) If the ~~person's~~individual's income is in excess of thirty-four thousand dollars and not in excess of thirty-eight thousand dollars, a reduction of twenty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of nine hundred dollars of taxable valuation.
 - (6) If the ~~person's~~individual's income is in excess of thirty-eight thousand dollars and not in excess of forty-two thousand dollars, a reduction of ten percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of four hundred fifty dollars of taxable valuation.
- d. ~~Persons~~Individuals residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. ~~Persons~~Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
 - e. This subsection does not reduce the liability of any ~~person~~individual for special assessments levied upon any property.
 - f. Any ~~person~~individual claiming the exemption under this subsection shall sign a verified statement of facts establishing the ~~person's~~individual's eligibility.
 - g. ~~A person~~An individual is ineligible for the exemption under this subsection if the value of the assets of the ~~person~~individual and any dependent residing with the ~~person~~individual exceeds five hundred thousand dollars, including the value of any assets divested within the last three years.
 - h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
 - i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
- 2. a. Any ~~person~~individual who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the ~~person~~individual rents living quarters is eligible for refund of a portion of the ~~person's~~individual's annual rent deemed by this subsection to constitute the payment of property tax.
 - b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as

payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the ~~person's~~individual's annual income, but the refund may not be in excess of four hundred dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. ~~Persons~~Individuals who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. ~~Persons~~Individuals who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that ~~person~~individual.
 - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the ~~person~~individual claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
 - e. This subsection does not apply to rents or fees paid by a ~~person~~an individual for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
 - f. ~~A person~~An individual may not receive a refund under this section for a taxable year in which that ~~person~~individual received an exemption under subsection 1.
3. The credit provided under this subsection applies without regard to eligibility for the exemption provided under subsection 1. The credit under this subsection applies in addition to any exemption for which an individual is eligible under subsection 1.

Any individual sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied is entitled to receive a state-paid credit of one thousand dollars against the total property taxes levied against that individual's homestead in that taxable year regardless of whether the individual is the head of a family.

Any individual who is not sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied is entitled to receive a state-paid credit of six hundred dollars against the total property taxes levied against that individual's homestead in that taxable year regardless of whether the individual is the head of a family.

The credit under this subsection continues to apply if the individual does not reside in the homestead and the individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the individual is not rented to another individual.

Individuals residing together, as spouses, or when one or more is a dependent of another, are entitled to only one credit between or among them under this subsection. Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full credit under this subsection equal to their ownership interests in the property.

Any individual claiming the credit under this subsection shall sign a verified statement of facts establishing the individual's eligibility for the initial year of eligibility. The auditor shall attach the statement filed under this subsection to the assessment sheet and shall show the reduction on the tax list. A credit under this subsection terminates at the end of the taxable year in which the individual transfers ownership of the property or ceases to occupy the property as a homestead.

- 4. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
- 4.5. ~~A person~~An individual whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax credit~~exemption under this section~~subsection 1 but the credit under subsection 3 may be applied against property taxes levied against up to six hundred forty acres of agricultural property associated with the exempt homestead.
- 5.6. For the purposes of this section:
 - a. "Dependent" has the same meaning it has for federal income tax purposes.
 - b. "Homestead" has the same meaning as provided in section 47-18-01.
 - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
 - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the ~~person~~individual may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
 - e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of

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disability from the social security administration or any federal or state agency that has authority to certify an individual's disability.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2014, for ad valorem property taxes, and for taxable years beginning after December 31, 2015, for mobile home taxes."

Renumber accordingly

Date: 2-3-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1299

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: Jan 28, 2015 change to line
Tax Comm - p. 10 line 6, insert language

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. Dockter Seconded By Rep. Steiner

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) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote = Motion carried.

Date: 2-9-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1299

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15-0281.01001

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. Steiner Seconded By Rep. Toman

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) _____ No _____

Absent _____

Floor Assignment _____

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

Voice vote = Motion carries.

Date: 2-9-15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1299

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 01001

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. Kading Seconded By Rep. Darter

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

Total (Yes) 9 No 4

Absent 1

Floor Assignment Rep. Kading

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

REPORT OF STANDING COMMITTEE

HB 1299: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1299 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code, relating to expanded eligibility for the homestead credit property tax reduction; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

57-02-08.1. Homestead credit.

1. a. Any ~~person~~individual sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the ~~person's~~individual's homestead. An exemption under this subsection applies regardless of whether the ~~person~~individual is the head of a family.
- b. The exemption under this subsection continues to apply if the ~~person~~individual does not reside in the homestead and the ~~person's~~individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the ~~person~~individual is not rented to another ~~person~~individual.
- c. The exemption must be determined according to the following schedule:
 - (1) If the ~~person's~~individual's income is not in excess of twenty-two thousand dollars, a reduction of one hundred percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of four thousand five hundred dollars of taxable valuation.
 - (2) If the ~~person's~~individual's income is in excess of twenty-two thousand dollars and not in excess of twenty-six thousand dollars, a reduction of eighty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of three thousand six hundred dollars of taxable valuation.
 - (3) If the ~~person's~~individual's income is in excess of twenty-six thousand dollars and not in excess of thirty thousand dollars, a reduction of sixty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of two thousand seven hundred dollars of taxable valuation.
 - (4) If the ~~person's~~individual's income is in excess of thirty thousand dollars and not in excess of thirty-four thousand dollars, a reduction of forty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of one thousand eight hundred dollars of taxable valuation.

- (5) If the ~~person's~~individual's income is in excess of thirty-four thousand dollars and not in excess of thirty-eight thousand dollars, a reduction of twenty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of nine hundred dollars of taxable valuation.
 - (6) If the ~~person's~~individual's income is in excess of thirty-eight thousand dollars and not in excess of forty-two thousand dollars, a reduction of ten percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of four hundred fifty dollars of taxable valuation.
- d. ~~Persons~~Individuals residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. ~~Persons~~Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
 - e. This subsection does not reduce the liability of any ~~person~~individual for special assessments levied upon any property.
 - f. Any ~~person~~individual claiming the exemption under this subsection shall sign a verified statement of facts establishing the ~~person's~~individual's eligibility.
 - g. ~~A person~~An individual is ineligible for the exemption under this subsection if the value of the assets of the ~~person~~individual and any dependent residing with the ~~person~~individual exceeds five hundred thousand dollars, including the value of any assets divested within the last three years.
 - h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
 - i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
2. a. Any ~~person~~individual who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the ~~person~~individual rents living quarters is eligible for refund of a portion of the ~~person's~~individual's annual rent deemed by this subsection to constitute the payment of property tax.
 - b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the ~~person's~~individual's annual income, but the refund may not be in excess of four hundred dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. ~~Persons~~Individuals who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. ~~Persons~~Individuals who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that ~~person~~individual.
 - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the ~~person~~individual claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
 - e. This subsection does not apply to rents or fees paid by a ~~person~~an individual for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
 - f. ~~A person~~An individual may not receive a refund under this section for a taxable year in which that ~~person~~individual received an exemption under subsection 1.
3. The credit provided under this subsection applies without regard to eligibility for the exemption provided under subsection 1. The credit under this subsection applies in addition to any exemption for which an individual is eligible under subsection 1.

Any individual sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied is entitled to receive a state-paid credit of one thousand dollars against the total property taxes levied against that individual's homestead in that taxable year regardless of whether the individual is the head of a family.

Any individual who is not sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied is entitled to receive a state-paid credit of six hundred dollars against the total property taxes levied against that individual's homestead in that taxable year regardless of whether the individual is the head of a family.

The credit under this subsection continues to apply if the individual does not reside in the homestead and the individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the individual is not rented to another individual.

Individuals residing together, as spouses, or when one or more is a dependent of another, are entitled to only one credit between or among them under this subsection. Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full credit under this subsection equal to their ownership interests in the property.

Any individual claiming the credit under this subsection shall sign a verified statement of facts establishing the individual's eligibility for the initial year of eligibility. The auditor shall attach the statement filed under this subsection to the assessment sheet and shall show the reduction on the tax list. A credit under this subsection terminates at the end of the taxable year in which the individual transfers ownership of the property or ceases to occupy the property as a homestead.

4. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
- 4.5. ~~A person~~An individual whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax ~~credit~~exemption ~~under this section~~under subsection 1 but the credit under subsection 3 may be applied against property taxes levied against up to six hundred forty acres of agricultural property associated with the exempt homestead.
- 5.6. For the purposes of this section:
 - a. "Dependent" has the same meaning it has for federal income tax purposes.
 - b. "Homestead" has the same meaning as provided in section 47-18-01.
 - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
 - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the ~~person~~individual may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
 - e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of disability from the social security administration or any federal or state agency that has authority to certify an individual's disability.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2014, for ad valorem property taxes, and for taxable years beginning after December 31, 2015, for mobile home taxes."

Renumber accordingly

2015 TESTIMONY

HB 1299

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1299

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code, relating to expanded eligibility for the homestead credit property tax reduction; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-02-08.1 of the North Dakota Century Code is amended and reenacted as follows:

57-02-08.1. Homestead credit.

1. a. Any ~~person~~individual sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied, with an income that does not exceed the limitations of subdivision c is entitled to receive a reduction in the assessment on the taxable valuation on the ~~person's~~individual's homestead. An exemption under this subsection applies regardless of whether the ~~person~~individual is the head of a family.
- b. The exemption under this subsection continues to apply if the ~~person~~individual does not reside in the homestead and the ~~person's~~individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the ~~person~~individual is not rented to another ~~person~~individual.
- c. The exemption must be determined according to the following schedule:
 - (1) If the ~~person's~~individual's income is not in excess of twenty-two thousand dollars, a reduction of one hundred percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of four thousand five hundred dollars of taxable valuation.
 - (2) If the ~~person's~~individual's income is in excess of twenty-two thousand dollars and not in excess of twenty-six thousand dollars, a reduction of eighty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of three thousand six hundred dollars of taxable valuation.
 - (3) If the ~~person's~~individual's income is in excess of twenty-six thousand dollars and not in excess of thirty thousand dollars, a reduction of sixty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of two thousand seven hundred dollars of taxable valuation.

- (4) If the ~~person's~~individual's income is in excess of thirty thousand dollars and not in excess of thirty-four thousand dollars, a reduction of forty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of one thousand eight hundred dollars of taxable valuation.
 - (5) If the ~~person's~~individual's income is in excess of thirty-four thousand dollars and not in excess of thirty-eight thousand dollars, a reduction of twenty percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of nine hundred dollars of taxable valuation.
 - (6) If the ~~person's~~individual's income is in excess of thirty-eight thousand dollars and not in excess of forty-two thousand dollars, a reduction of ten percent of the taxable valuation of the ~~person's~~individual's homestead up to a maximum reduction of four hundred fifty dollars of taxable valuation.
- d. ~~Persons~~Individuals residing together, as spouses or when one or more is a dependent of another, are entitled to only one exemption between or among them under this subsection. ~~Persons~~Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full exemption under this subsection equal to their ownership interests in the property.
 - e. This subsection does not reduce the liability of any ~~person~~individual for special assessments levied upon any property.
 - f. Any ~~person~~individual claiming the exemption under this subsection shall sign a verified statement of facts establishing the ~~person's~~individual's eligibility.
 - g. ~~A person~~An individual is ineligible for the exemption under this subsection if the value of the assets of the ~~person~~individual and any dependent residing with the ~~person~~individual exceeds five hundred thousand dollars, including the value of any assets divested within the last three years.
 - h. The assessor shall attach the statement filed under subdivision f to the assessment sheet and shall show the reduction on the assessment sheet.
 - i. An exemption under this subsection terminates at the end of the taxable year of the death of the applicant.
2. a. Any ~~person~~individual who would qualify for an exemption under subdivisions a and c of subsection 1 except for the fact that the ~~person~~individual rents living quarters is eligible for refund of a portion of the ~~person's~~individual's annual rent deemed by this subsection to constitute the payment of property tax.
 - b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of any federal rent subsidy and of charges for any utilities, services, furniture, furnishings, or personal property appliances furnished by the landlord as part of the rental agreement, whether expressly set out in the rental agreement, must be considered as

#1 p. 3

payment made for property tax. When any part of the twenty percent of the annual rent exceeds four percent of the annual income of a qualified applicant, the applicant is entitled to receive a refund from the state general fund for that amount in excess of four percent of the person's individual's annual income, but the refund may not be in excess of four hundred dollars. If the calculation for the refund is less than five dollars, a minimum of five dollars must be sent to the qualifying applicant.

- c. Persons/Individuals who reside together, as spouses or when one or more is a dependent of another, are entitled to only one refund between or among them under this subsection. Persons/Individuals who reside together in a rental unit, who are not spouses or dependents, are each entitled to apply for a refund based on the rent paid by that person/individual.
 - d. Each application for refund under this subsection must be made to the tax commissioner before the first day of June of each year by the person/individual claiming the refund. The tax commissioner may grant an extension of time to file an application for good cause. The tax commissioner shall issue refunds to applicants.
 - e. This subsection does not apply to rents or fees paid by a person/an individual for any living quarters, including a nursing home licensed pursuant to section 23-16-01, if those living quarters are exempt from property taxation and the owner is not making a payment in lieu of property taxes.
 - f. A person/An individual may not receive a refund under this section for a taxable year in which that person/individual received an exemption under subsection 1.
3. The credit provided under this subsection applies without regard to eligibility for the exemption provided under subsection 1. The credit under this subsection applies in addition to any exemption for which an individual is eligible under subsection 1.

Any individual sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied is entitled to receive a state-paid credit of one thousand dollars against the total property taxes levied against that individual's homestead in that taxable year regardless of whether the individual is the head of a family.

Any individual who is not sixty-five years of age or older or permanently and totally disabled, in the year in which the tax was levied is entitled to receive a state-paid credit of six hundred dollars against the total property taxes levied against that individual's homestead in that taxable year regardless of whether the individual is the head of a family.

The credit under this subsection continues to apply if the individual does not reside in the homestead and the individual's absence is due to confinement in a nursing home, hospital, or other care facility, for as long as the portion of the homestead previously occupied by the individual is not rented to another individual.

#1 p. 4

Individuals residing together, as spouses, or when one or more is a dependent of another, are entitled to only one credit between or among them under this subsection. Individuals residing together, who are not spouses or dependents, who are coowners of the property are each entitled to a percentage of a full credit under this subsection equal to their ownership interests in the property.

Any individual claiming the credit under this subsection shall sign a verified statement of facts establishing the individual's eligibility for the initial year of eligibility. The auditor shall attach the statement filed under this subsection to the assessment sheet and shall show the reduction on the tax list. A credit under this subsection terminates at the end of the taxable year in which the individual transfers ownership of the property or ceases to occupy the property as a homestead.

- 4. All forms necessary to effectuate this section must be prescribed, designed, and made available by the tax commissioner. The county directors of tax equalization shall make these forms available upon request.
- 4.5. ~~A person~~An individual whose homestead is a farm structure exempt from taxation under subsection 15 of section 57-02-08 may not receive any property tax ~~credit~~exemption ~~under this section~~subsection 1 but the credit under subsection 3 may be applied against property taxes levied against up to six hundred forty acres of agricultural property associated with the exempt homestead.
- 5.6. For the purposes of this section:
 - a. "Dependent" has the same meaning it has for federal income tax purposes.
 - b. "Homestead" has the same meaning as provided in section 47-18-01.
 - c. "Income" means income for the most recent complete taxable year from all sources, including the income of any dependent of the applicant, and including any county, state, or federal public assistance benefits, social security, or other retirement benefits, but excluding any federal rent subsidy, any amount excluded from income by federal or state law, and medical expenses paid during the year by the applicant or the applicant's dependent which is not compensated by insurance or other means.
 - d. "Medical expenses" has the same meaning as it has for state income tax purposes, except that for transportation for medical care the ~~person~~individual may use the standard mileage rate allowed for state officer and employee use of a motor vehicle under section 54-06-09.
 - e. "Permanently and totally disabled" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of

disability from the social security administration or any federal or state agency that has authority to certify an individual's disability.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2014."

Renumber accordingly

#1 p. 5

HB 1299
1-20-15
#2 p.1

OFFICE OF TAX EQUALIZATION
P. O. Box 393
Ellendale ND 58436
Phone: (701) 349-3249 Ext. 7
E-mail: dflaherty@nd.gov



January 19, 2015

2015 House Finance and Taxation Committee
Honorable Representative Craig Headland, Chairman
North Dakota State Capitol

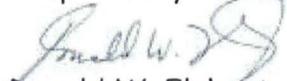
Dear Representative Headland and Members of the House Finance and Taxation Committee:

My name is Don Flaherty and I am the Director of Tax Equalization for Dickey County. I am writing you today to speak against HB 1299. I believe that the proposed changes to NDCC § 57-02-08.1 to expand the Homestead Tax Credit by excluding a large amount of income sources and drastically increasing the income limits will effectively gut the Homestead Credit program as it was originally intended. Not only will this change open the floodgates of eligibility for persons who qualify by age or disability, it will also place a vast majority of those new as well as existing applicants in the 100% category. I do not feel that the proposed legislation in its current form is good fiscal management for our state.

I stated earlier, I believe that it is our responsibility to provide for those who are less fortunate than ourselves, but in doing so we need to confine our help to those who are truly less fortunate. This bill does not do that and will do more harm than good over the long term. Legislation of this type will ultimately become a detriment in that it will grow in such a large proportion that funding it will cause other areas of need to be left by the wayside due to a lack of available funds. We must be good stewards of the present as well as the future.

Therefore I would strongly urge each of you to vote against HB 1299.

Respectfully Submitted,


Donald W. Flaherty

Dickey County Director of Tax Equalization

HB 1299
2-3-15
#1

Prepared by the
North Dakota Office of State Tax Commissioner
House Finance and Taxation
January 28, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1299

Page 10, line 6, after "2014" insert ", for ad valorem property taxes and for taxable years beginning after December 31, 2015, for mobile home taxes"

Sixty-fourth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1299

Introduced by

Representatives Kasper, Beadle, Rick C. Becker, Dosch, Ruby, Schatz, Thoreson
Senators Klein, Larsen, O'Connell, Sorvaag, Wanzek

1 ~~A BILL for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code,~~
2 ~~relating to expanded eligibility for the homestead credit property tax reduction; and to provide an~~
3 ~~effective date for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century~~
4 ~~Code, relating to expanded eligibility for the homestead credit property tax reduction; and to~~
5 ~~provide an effective date.~~

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 ~~SECTION 1. AMENDMENT.~~ Section 57-02-08.1 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 ~~57-02-08.1. Homestead credit.~~

10 ~~1. a. Any person sixty five years of age or older or permanently and totally disabled, in~~
11 ~~the year in which the tax was levied, with an income that does not exceed the~~
12 ~~limitations of subdivision c is entitled to receive a reduction in the assessment on~~
13 ~~the taxable valuation on the person's homestead. An exemption under this~~
14 ~~subsection applies regardless of whether the person is the head of a family.~~

15 ~~b. The exemption under this subsection continues to apply if the person does not~~
16 ~~reside in the homestead and the person's absence is due to confinement in a~~
17 ~~nursing home, hospital, or other care facility, for as long as the portion of the~~
18 ~~homestead previously occupied by the person is not rented to another person.~~

19 ~~c. The exemption must be determined according to the following schedule:~~

20 ~~(1) If the person's income is not in excess of twenty two forty thousand dollars, a~~
21 ~~reduction of one hundred percent of the taxable valuation of the person's~~
22 ~~homestead up to a maximum reduction of four thousand five hundred~~
23 ~~dollars of taxable valuation.~~

- 1 ~~————— (2) If the person's income is in excess of twenty twoforty thousand dollars and~~
2 ~~not in excess of twenty sixfifty thousand dollars, a reduction of eighty~~
3 ~~percent of the taxable valuation of the person's homestead up to a~~
4 ~~maximum reduction of three thousand six hundred dollars of taxable~~
5 ~~valuation.~~
- 6 ~~————— (3) If the person's income is in excess of twenty sixfifty thousand dollars and~~
7 ~~not in excess of thirtysixty thousand dollars, a reduction of sixty percent of~~
8 ~~the taxable valuation of the person's homestead up to a maximum reduction~~
9 ~~of two thousand seven hundred dollars of taxable valuation.~~
- 10 ~~————— (4) If the person's income is in excess of thirtysixty thousand dollars and not in~~
11 ~~excess of thirty fourseventy thousand dollars, a reduction of forty percent of~~
12 ~~the taxable valuation of the person's homestead up to a maximum reduction~~
13 ~~of one thousand eight hundred dollars of taxable valuation.~~
- 14 ~~————— (5) If the person's income is in excess of thirty fourseventy thousand dollars~~
15 ~~and not in excess of thirty eighteighty thousand dollars, a reduction of~~
16 ~~twenty percent of the taxable valuation of the person's homestead up to a~~
17 ~~maximum reduction of nine hundred dollars of taxable valuation.~~
- 18 ~~————— (6) If the person's income is in excess of thirty eighteighty thousand dollars and~~
19 ~~not in excess of forty twoone hundred thousand dollars, a reduction of ten~~
20 ~~percent of the taxable valuation of the person's homestead up to a~~
21 ~~maximum reduction of four hundred fifty dollars of taxable valuation.~~
- 22 ~~————— d. Persons residing together, as spouses or when one or more is a dependent of~~
23 ~~another, are entitled to only one exemption between or among them under this~~
24 ~~subsection. Persons residing together, who are not spouses or dependents, who~~
25 ~~are coowners of the property are each entitled to a percentage of a full exemption~~
26 ~~under this subsection equal to their ownership interests in the property.~~
- 27 ~~————— e. This subsection does not reduce the liability of any person for special~~
28 ~~assessments levied upon any property.~~
- 29 ~~————— f. Any person claiming the exemption under this subsection shall sign a verified~~
30 ~~statement of facts establishing the person's eligibility.~~

- 1 ~~g.~~ A person is ineligible for the exemption under this subsection if the value of the
2 assets of the person and any dependent residing with the person exceeds five
3 hundred thousand dollars, including the value of any assets divested within the
4 last three years.
- 5 ~~h.~~ The assessor shall attach the statement filed under subdivision f to the
6 assessment sheet and shall show the reduction on the assessment sheet.
- 7 ~~i.~~ An exemption under this subsection terminates at the end of the taxable year of
8 the death of the applicant.
- 9 ~~2. a.~~ Any person who would qualify for an exemption under subdivisions a and c of
10 subsection 1 except for the fact that the person rents living quarters is eligible for
11 refund of a portion of the person's annual rent deemed by this subsection to
12 constitute the payment of property tax.
- 13 ~~b.~~ For the purpose of this subsection, twenty percent of the annual rent, exclusive of
14 any federal rent subsidy and of charges for any utilities, services, furniture,
15 furnishings, or personal property appliances furnished by the landlord as part of
16 the rental agreement, whether expressly set out in the rental agreement, must be
17 considered as payment made for property tax. When any part of the twenty
18 percent of the annual rent exceeds four percent of the annual income of a
19 qualified applicant, the applicant is entitled to receive a refund from the state
20 general fund for that amount in excess of four percent of the person's annual
21 income, but the refund may not be in excess of four hundred dollars. If the
22 calculation for the refund is less than five dollars, a minimum of five dollars must
23 be sent to the qualifying applicant.
- 24 ~~c.~~ Persons who reside together, as spouses or when one or more is a dependent of
25 another, are entitled to only one refund between or among them under this
26 subsection. Persons who reside together in a rental unit, who are not spouses or
27 dependents, are each entitled to apply for a refund based on the rent paid by that
28 person.
- 29 ~~d.~~ Each application for refund under this subsection must be made to the tax
30 commissioner before the first day of June of each year by the person claiming the
31 refund. The tax commissioner may grant an extension of time to file an

- 1 application for good cause. The tax commissioner shall issue refunds to
2 applicants.
- 3 ~~e. This subsection does not apply to rents or fees paid by a person for any living~~
4 ~~quarters, including a nursing home licensed pursuant to section 23-16-01, if~~
5 ~~these living quarters are exempt from property taxation and the owner is not~~
6 ~~making a payment in lieu of property taxes.~~
- 7 ~~f. A person may not receive a refund under this section for a taxable year in which~~
8 ~~that person received an exemption under subsection 1.~~
- 9 ~~3. All forms necessary to effectuate this section must be prescribed, designed, and made~~
10 ~~available by the tax commissioner. The county directors of tax equalization shall make~~
11 ~~these forms available upon request.~~
- 12 ~~4. A person whose homestead is a farm structure exempt from taxation under~~
13 ~~subsection 15 of section 57-02-08 may not receive any property tax credit under this~~
14 ~~section.~~
- 15 ~~5. For the purposes of this section:~~
- 16 ~~a. "Dependent" has the same meaning it has for federal income tax purposes.~~
- 17 ~~b. "Homestead" has the same meaning as provided in section 47-18-01.~~
- 18 ~~c. "Income" means income for the most recent complete taxable year from all~~
19 ~~sources, including the income of any dependent of the applicant, and including~~
20 ~~any county, state, or federal public assistance benefits, but excluding social~~
21 ~~security, or other retirement retirement, disability, or survivors benefits, but~~
22 ~~excluding: other pension or retirement benefits; any federal rent subsidy; any~~
23 ~~amount excluded from income by federal or state law; and medical expenses~~
24 ~~paid during the year by the applicant or the applicant's dependent which is not~~
25 ~~compensated by insurance or other means and which is not excluded from~~
26 ~~income by federal or state law.~~
- 27 ~~d. "Medical expenses" has the same meaning as it has for state income tax~~
28 ~~purposes, except that for transportation for medical care the person may use the~~
29 ~~standard mileage rate allowed for state officer and employee use of a motor~~
30 ~~vehicle under section 54-06-09.~~

1 ~~e. "Permanently and totally disabled" means the inability to engage in any~~
2 ~~substantial gainful activity by reason of any medically determinable physical or~~
3 ~~mental impairment which can be expected to result in death or has lasted or can~~
4 ~~be expected to last for a continuous period of not less than twelve months as~~
5 ~~established by a certificate from a licensed physician or a written determination of~~
6 ~~disability from the social security administration or any federal or state agency~~
7 ~~that has authority to certify an individual's disability.~~

8 ~~SECTION 2. EFFECTIVE DATE.~~ This Act is effective for taxable years beginning after
9 December 31, 2014.

10 **SECTION 1. AMENDMENT.** Section 57-02-08.1 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **57-02-08.1. Homestead credit.**

- 13 1. a. Any ~~person~~individual sixty-five years of age or older or permanently and totally
14 disabled, in the year in which the tax was levied, with an income that does not
15 exceed the limitations of subdivision c is entitled to receive a reduction in the
16 assessment on the taxable valuation on the ~~person's~~individual's homestead. An
17 exemption under this subsection applies regardless of whether the
18 ~~person~~individual is the head of a family.
- 19 b. The exemption under this subsection continues to apply if the ~~person~~individual
20 does not reside in the homestead and the ~~person's~~individual's absence is due to
21 confinement in a nursing home, hospital, or other care facility, for as long as the
22 portion of the homestead previously occupied by the ~~person~~individual is not
23 rented to another ~~person~~individual.
- 24 c. The exemption must be determined according to the following schedule:
- 25 (1) If the ~~person's~~individual's income is not in excess of twenty-two thousand
26 dollars, a reduction of one hundred percent of the taxable valuation of the
27 ~~person's~~individual's homestead up to a maximum reduction of four thousand
28 five hundred dollars of taxable valuation.
- 29 (2) If the ~~person's~~individual's income is in excess of twenty-two thousand
30 dollars and not in excess of twenty-six thousand dollars, a reduction of
31 eighty percent of the taxable valuation of the ~~person's~~individual's homestead

- 1 up to a maximum reduction of three thousand six hundred dollars of taxable
2 valuation.
- 3 (3) If the person's individual's income is in excess of twenty-six thousand dollars
4 and not in excess of thirty thousand dollars, a reduction of sixty percent of
5 the taxable valuation of the person's individual's homestead up to a
6 maximum reduction of two thousand seven hundred dollars of taxable
7 valuation.
- 8 (4) If the person's individual's income is in excess of thirty thousand dollars and
9 not in excess of thirty-four thousand dollars, a reduction of forty percent of
10 the taxable valuation of the person's individual's homestead up to a
11 maximum reduction of one thousand eight hundred dollars of taxable
12 valuation.
- 13 (5) If the person's individual's income is in excess of thirty-four thousand dollars
14 and not in excess of thirty-eight thousand dollars, a reduction of twenty
15 percent of the taxable valuation of the person's individual's homestead up to
16 a maximum reduction of nine hundred dollars of taxable valuation.
- 17 (6) If the person's individual's income is in excess of thirty-eight thousand dollars
18 and not in excess of forty-two thousand dollars, a reduction of ten percent of
19 the taxable valuation of the person's individual's homestead up to a
20 maximum reduction of four hundred fifty dollars of taxable valuation.
- 21 d. Persons/Individuals residing together, as spouses or when one or more is a
22 dependent of another, are entitled to only one exemption between or among
23 them under this subsection. Persons/Individuals residing together, who are not
24 spouses or dependents, who are coowners of the property are each entitled to a
25 percentage of a full exemption under this subsection equal to their ownership
26 interests in the property.
- 27 e. This subsection does not reduce the liability of any person/individual for special
28 assessments levied upon any property.
- 29 f. Any person/individual claiming the exemption under this subsection shall sign a
30 verified statement of facts establishing the person's individual's eligibility.

#20.7

- 1 g. ~~A person~~An individual is ineligible for the exemption under this subsection if the
- 2 value of the assets of the ~~person~~individual and any dependent residing with the
- 3 ~~person~~individual exceeds five hundred thousand dollars, including the value of
- 4 any assets divested within the last three years.
- 5 h. The assessor shall attach the statement filed under subdivision f to the
- 6 assessment sheet and shall show the reduction on the assessment sheet.
- 7 i. An exemption under this subsection terminates at the end of the taxable year of
- 8 the death of the applicant.
- 9 2. a. Any ~~person~~individual who would qualify for an exemption under subdivisions a
- 10 and c of subsection 1 except for the fact that the ~~person~~individual rents living
- 11 quarters is eligible for refund of a portion of the ~~person's~~individual's annual rent
- 12 deemed by this subsection to constitute the payment of property tax.
- 13 b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of
- 14 any federal rent subsidy and of charges for any utilities, services, furniture,
- 15 furnishings, or personal property appliances furnished by the landlord as part of
- 16 the rental agreement, whether expressly set out in the rental agreement, must be
- 17 considered as payment made for property tax. When any part of the twenty
- 18 percent of the annual rent exceeds four percent of the annual income of a
- 19 qualified applicant, the applicant is entitled to receive a refund from the state
- 20 general fund for that amount in excess of four percent of the ~~person's~~individual's
- 21 annual income, but the refund may not be in excess of four hundred dollars. If the
- 22 calculation for the refund is less than five dollars, a minimum of five dollars must
- 23 be sent to the qualifying applicant.
- 24 c. ~~Persons~~Individuals who reside together, as spouses or when one or more is a
- 25 dependent of another, are entitled to only one refund between or among them
- 26 under this subsection. ~~Persons~~Individuals who reside together in a rental unit,
- 27 who are not spouses or dependents, are each entitled to apply for a refund based
- 28 on the rent paid by that ~~person~~individual.
- 29 d. Each application for refund under this subsection must be made to the tax
- 30 commissioner before the first day of June of each year by the ~~person~~individual
- 31 claiming the refund. The tax commissioner may grant an extension of time to file

1 an application for good cause. The tax commissioner shall issue refunds to
2 applicants.

3 e. This subsection does not apply to rents or fees paid by a ~~person~~an individual for
4 any living quarters, including a nursing home licensed pursuant to section
5 23-16-01, if those living quarters are exempt from property taxation and the
6 owner is not making a payment in lieu of property taxes.

7 f. A ~~person~~An individual may not receive a refund under this section for a taxable
8 year in which that ~~person~~individual received an exemption under subsection 1.

9 3. The credit provided under this subsection applies without regard to eligibility for the
10 exemption provided under subsection 1. The credit under this subsection applies in
11 addition to any exemption for which an individual is eligible under subsection 1.

12 Any individual sixty-five years of age or older or permanently and totally disabled, in
13 the year in which the tax was levied is entitled to receive a state-paid credit of one
14 thousand dollars against the total property taxes levied against that individual's
15 homestead in that taxable year regardless of whether the individual is the head of a
16 family.

17 Any individual who is not sixty-five years of age or older or permanently and totally
18 disabled, in the year in which the tax was levied is entitled to receive a state-paid
19 credit of six hundred dollars against the total property taxes levied against that
20 individual's homestead in that taxable year regardless of whether the individual is the
21 head of a family.

22 The credit under this subsection continues to apply if the individual does not reside in
23 the homestead and the individual's absence is due to confinement in a nursing home,
24 hospital, or other care facility, for as long as the portion of the homestead previously
25 occupied by the individual is not rented to another individual.

26 Individuals residing together, as spouses, or when one or more is a dependent of
27 another, are entitled to only one credit between or among them under this subsection.

28 Individuals residing together, who are not spouses or dependents, who are coowners
29 of the property are each entitled to a percentage of a full credit under this subsection
30 equal to their ownership interests in the property.

1 Any individual claiming the credit under this subsection shall sign a verified statement
2 of facts establishing the individual's eligibility for the initial year of eligibility. The auditor
3 shall attach the statement filed under this subsection to the assessment sheet and
4 shall show the reduction on the tax list. A credit under this subsection terminates at the
5 end of the taxable year in which the individual transfers ownership of the property or
6 ceases to occupy the property as a homestead.

7 4. All forms necessary to effectuate this section must be prescribed, designed, and made
8 available by the tax commissioner. The county directors of tax equalization shall make
9 these forms available upon request.

10 4.5. ~~A person~~An individual whose homestead is a farm structure exempt from taxation
11 under subsection 15 of section 57-02-08 may not receive any property tax
12 ~~credit~~exemption under ~~this section~~subsection 1 but the credit under subsection 3 may
13 be applied against property taxes levied against up to six hundred forty acres of
14 agricultural property associated with the exempt homestead.

15 5.6. For the purposes of this section:

- 16 a. "Dependent" has the same meaning it has for federal income tax purposes.
17 b. "Homestead" has the same meaning as provided in section 47-18-01.
18 c. "Income" means income for the most recent complete taxable year from all
19 sources, including the income of any dependent of the applicant, and including
20 any county, state, or federal public assistance benefits, social security, or other
21 retirement benefits, but excluding any federal rent subsidy, any amount excluded
22 from income by federal or state law, and medical expenses paid during the year
23 by the applicant or the applicant's dependent which is not compensated by
24 insurance or other means.
25 d. "Medical expenses" has the same meaning as it has for state income tax
26 purposes, except that for transportation for medical care the ~~person~~individual
27 may use the standard mileage rate allowed for state officer and employee use of
28 a motor vehicle under section 54-06-09.
29 e. "Permanently and totally disabled" means the inability to engage in any
30 substantial gainful activity by reason of any medically determinable physical or
31 mental impairment which can be expected to result in death or has lasted or can

#24.10

1 be expected to last for a continuous period of not less than twelve months as
2 established by a certificate from a licensed physician or a written determination of
3 disability from the social security administration or any federal or state agency
4 that has authority to certify an individual's disability.

5 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after
6 December 31, 2014.

Sixty-fourth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1299

Introduced by

Representatives Kasper, Beadle, Rick C. Becker, Dosch, Ruby, Schatz, Thoreson

Senators Klein, Larsen, O'Connell, Sorvaag, Wanzek

1 A BILL for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century Code,
2 relating to expanded eligibility for the homestead credit property tax reduction; and to provide an
3 effective date for an Act to amend and reenact section 57-02-08.1 of the North Dakota Century
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5 provide an effective date.

6 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

7 ~~SECTION 1. AMENDMENT.~~ Section 57-02-08.1 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 ~~57-02-08.1. Homestead credit.~~

10 ~~1. a. Any person sixty five years of age or older or permanently and totally disabled, in~~
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15 ~~b. The exemption under this subsection continues to apply if the person does not~~
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4 ~~be expected to last for a continuous period of not less than twelve months as~~
5 ~~established by a certificate from a licensed physician or a written determination of~~
6 ~~disability from the social security administration or any federal or state agency~~
7 ~~that has authority to certify an individual's disability.~~

8 ~~SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after~~
9 ~~December 31, 2014.~~

10 **SECTION 1. AMENDMENT.** Section 57-02-08.1 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **57-02-08.1. Homestead credit.**

- 13 1. a. Any ~~person~~individual sixty-five years of age or older or permanently and totally
14 disabled, in the year in which the tax was levied, with an income that does not
15 exceed the limitations of subdivision c is entitled to receive a reduction in the
16 assessment on the taxable valuation on the ~~person's~~individual's homestead. An
17 exemption under this subsection applies regardless of whether the
18 ~~person~~individual is the head of a family.
- 19 b. The exemption under this subsection continues to apply if the ~~person~~individual
20 does not reside in the homestead and the ~~person's~~individual's absence is due to
21 confinement in a nursing home, hospital, or other care facility, for as long as the
22 portion of the homestead previously occupied by the ~~person~~individual is not
23 rented to another ~~person~~individual.
- 24 c. The exemption must be determined according to the following schedule:
- 25 (1) If the ~~person's~~individual's income is not in excess of twenty-two thousand
26 dollars, a reduction of one hundred percent of the taxable valuation of the
27 ~~person's~~individual's homestead up to a maximum reduction of four thousand
28 five hundred dollars of taxable valuation.
- 29 (2) If the ~~person's~~individual's income is in excess of twenty-two thousand
30 dollars and not in excess of twenty-six thousand dollars, a reduction of
31 eighty percent of the taxable valuation of the ~~person's~~individual's homestead

- 1 up to a maximum reduction of three thousand six hundred dollars of taxable
2 valuation.
- 3 (3) If the person's individual's income is in excess of twenty-six thousand dollars
4 and not in excess of thirty thousand dollars, a reduction of sixty percent of
5 the taxable valuation of the person's individual's homestead up to a
6 maximum reduction of two thousand seven hundred dollars of taxable
7 valuation.
- 8 (4) If the person's individual's income is in excess of thirty thousand dollars and
9 not in excess of thirty-four thousand dollars, a reduction of forty percent of
10 the taxable valuation of the person's individual's homestead up to a
11 maximum reduction of one thousand eight hundred dollars of taxable
12 valuation.
- 13 (5) If the person's individual's income is in excess of thirty-four thousand dollars
14 and not in excess of thirty-eight thousand dollars, a reduction of twenty
15 percent of the taxable valuation of the person's individual's homestead up to
16 a maximum reduction of nine hundred dollars of taxable valuation.
- 17 (6) If the person's individual's income is in excess of thirty-eight thousand dollars
18 and not in excess of forty-two thousand dollars, a reduction of ten percent of
19 the taxable valuation of the person's individual's homestead up to a
20 maximum reduction of four hundred fifty dollars of taxable valuation.
- 21 d. Persons individuals residing together, as spouses or when one or more is a
22 dependent of another, are entitled to only one exemption between or among
23 them under this subsection. Persons individuals residing together, who are not
24 spouses or dependents, who are coowners of the property are each entitled to a
25 percentage of a full exemption under this subsection equal to their ownership
26 interests in the property.
- 27 e. This subsection does not reduce the liability of any person individual for special
28 assessments levied upon any property.
- 29 f. Any person individual claiming the exemption under this subsection shall sign a
30 verified statement of facts establishing the person's individual's eligibility.

- 1 g. A ~~person~~individual is ineligible for the exemption under this subsection if the
- 2 value of the assets of the ~~person~~individual and any dependent residing with the
- 3 ~~person~~individual exceeds five hundred thousand dollars, including the value of
- 4 any assets divested within the last three years.
- 5 h. The assessor shall attach the statement filed under subdivision f to the
- 6 assessment sheet and shall show the reduction on the assessment sheet.
- 7 i. An exemption under this subsection terminates at the end of the taxable year of
- 8 the death of the applicant:
- 9 2. a. Any ~~person~~individual who would qualify for an exemption under subdivisions a
- 10 and c of subsection 1 except for the fact that the ~~person~~individual rents living
- 11 quarters is eligible for refund of a portion of the ~~person's~~individual's annual rent
- 12 deemed by this subsection to constitute the payment of property tax.
- 13 b. For the purpose of this subsection, twenty percent of the annual rent, exclusive of
- 14 any federal rent subsidy and of charges for any utilities, services, furniture,
- 15 furnishings, or personal property appliances furnished by the landlord as part of
- 16 the rental agreement, whether expressly set out in the rental agreement, must be
- 17 considered as payment made for property tax. When any part of the twenty
- 18 percent of the annual rent exceeds four percent of the annual income of a
- 19 qualified applicant, the applicant is entitled to receive a refund from the state
- 20 general fund for that amount in excess of four percent of the ~~person's~~individual's
- 21 annual income, but the refund may not be in excess of four hundred dollars. If the
- 22 calculation for the refund is less than five dollars, a minimum of five dollars must
- 23 be sent to the qualifying applicant.
- 24 c. ~~Persons~~Individuals who reside together, as spouses or when one or more is a
- 25 dependent of another, are entitled to only one refund between or among them
- 26 under this subsection. ~~Persons~~Individuals who reside together in a rental unit,
- 27 who are not spouses or dependents, are each entitled to apply for a refund based
- 28 on the rent paid by that ~~person~~individual.
- 29 d. Each application for refund under this subsection must be made to the tax
- 30 commissioner before the first day of June of each year by the ~~person~~individual
- 31 claiming the refund. The tax commissioner may grant an extension of time to file

1 an application for good cause. The tax commissioner shall issue refunds to
2 applicants.

3 e. This subsection does not apply to rents or fees paid by a ~~person~~ individual for
4 any living quarters, including a nursing home licensed pursuant to section
5 23-16-01, if those living quarters are exempt from property taxation and the
6 owner is not making a payment in lieu of property taxes.

7 f. A ~~person~~ individual may not receive a refund under this section for a taxable
8 year in which that ~~person~~ individual received an exemption under subsection 1.

9 3. The credit provided under this subsection applies without regard to eligibility for the
10 exemption provided under subsection 1. The credit under this subsection applies in
11 addition to any exemption for which an individual is eligible under subsection 1.

12 Any individual sixty-five years of age or older or permanently and totally disabled, in
13 the year in which the tax was levied is entitled to receive a state-paid credit of one
14 thousand dollars against the total property taxes levied against that individual's
15 homestead in that taxable year regardless of whether the individual is the head of a
16 family.

17 Any individual who is not sixty-five years of age or older or permanently and totally
18 disabled, in the year in which the tax was levied is entitled to receive a state-paid
19 credit of six hundred dollars against the total property taxes levied against that
20 individual's homestead in that taxable year regardless of whether the individual is the
21 head of a family.

22 The credit under this subsection continues to apply if the individual does not reside in
23 the homestead and the individual's absence is due to confinement in a nursing home,
24 hospital, or other care facility, for as long as the portion of the homestead previously
25 occupied by the individual is not rented to another individual.

26 Individuals residing together, as spouses, or when one or more is a dependent of
27 another, are entitled to only one credit between or among them under this subsection.

28 Individuals residing together, who are not spouses or dependents, who are coowners
29 of the property are each entitled to a percentage of a full credit under this subsection
30 equal to their ownership interests in the property.

1 Any individual claiming the credit under this subsection shall sign a verified statement
2 of facts establishing the individual's eligibility for the initial year of eligibility. The auditor
3 shall attach the statement filed under this subsection to the assessment sheet and
4 shall show the reduction on the tax list. A credit under this subsection terminates at the
5 end of the taxable year in which the individual transfers ownership of the property or
6 ceases to occupy the property as a homestead.

7 4. All forms necessary to effectuate this section must be prescribed, designed, and made
8 available by the tax commissioner. The county directors of tax equalization shall make
9 these forms available upon request.

10 4-5. ~~A person~~An individual whose homestead is a farm structure exempt from taxation
11 under subsection 15 of section 57-02-08 may not receive any property tax
12 ~~credit~~exemption under this sectionsubsection 1 but the credit under subsection 3 may
13 be applied against property taxes levied against up to six hundred forty acres of
14 agricultural property associated with the exempt homestead.

15 5-6. For the purposes of this section:

- 16 a. "Dependent" has the same meaning it has for federal income tax purposes.
17 b. "Homestead" has the same meaning as provided in section 47-18-01.
18 c. "Income" means income for the most recent complete taxable year from all
19 sources, including the income of any dependent of the applicant, and including
20 any county, state, or federal public assistance benefits, social security, or other
21 retirement benefits, but excluding any federal rent subsidy, any amount excluded
22 from income by federal or state law, and medical expenses paid during the year
23 by the applicant or the applicant's dependent which is not compensated by
24 insurance or other means.
25 d. "Medical expenses" has the same meaning as it has for state income tax
26 purposes, except that for transportation for medical care the ~~person~~individual
27 may use the standard mileage rate allowed for state officer and employee use of
28 a motor vehicle under section 54-06-09.
29 e. "Permanently and totally disabled" means the inability to engage in any
30 substantial gainful activity by reason of any medically determinable physical or
31 mental impairment which can be expected to result in death or has lasted or can

#1.8.10

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be expected to last for a continuous period of not less than twelve months as established by a certificate from a licensed physician or a written determination of disability from the social security administration or any federal or state agency that has authority to certify an individual's disability.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2014.

HB 1299
2-9-15
#2

Strombeck, Kathy L.

From: Strombeck, Kathy L.
Sent: Wednesday, February 04, 2015 3:44 PM
To: Owens, Mark S.
Cc: Leadbetter, Linda; Meier, Sara E.
Subject: Fiscal impact of hog-housed amendment to HB 1299

Good afternoon Rep. Owens;

At your request, we have analyzed the hog-housed amendment to HB 1299 (LC#15.0281.01001) and estimated a fiscal impact for you and the committee. A quick summary of the bill is:

- Creates a broad-based homestead (state paid) property tax credit of \$600 for individuals' primary residences
- The credit is up to \$1000 for individuals that are 65 and older or totally disabled (in addition to the current law homestead credit for elderly and disabled)
- Creates a credit for taxes on up to 640 acres for resident farmers whose homes are otherwise exempt, limited to \$600

We estimate the fiscal impact of the provisions of this amendment to be -\$242,000,000 for the 2015-17 biennium.

Please let me know if you have any questions or comments. If this is NOT the version of HB 1299 that you anticipated, please let me know and we'll track down the correct version.

Kathy

Kathryn L. Strombeck
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