

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/13/2015**

Bill/Resolution No.: HB 1325

- 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			\$24,000,000		\$24,000,000	
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).*

- 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 provides an alternative calculation for the homestead tax credit. An individual could receive the highest credit available either under the current program or this proposed alternative. The alternative calculation provides a credit against a true and full value of up to \$350,000 and provides an age-based schedule that increases the credit percentage from 5% for a person age 65 to 100% for a person age 75 or older. The proposed alternative calculation does not provide for an income or asset limitation.

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 \$46 million appropriation required to fund the homestead tax credit program, as proposed in this bill, is an increase of \$24 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 1325**

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1325  
1/20/2015  
22205

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*May Brucker*

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

A Bill relating to the expansion of the homestead credit exemption for individuals age sixty-five or older.

### Minutes:

Attachment #1

**Chairman Headland:** Opened hearing.

**Representative Maragos:** Introduced bill. I introduced this bill to expand the homestead tax credit based on all the feedback I received for the last couple biennium. People are angst about the increase in property taxes that keeps taking place. This bill proposes to eliminate property taxes for seniors by the age of seventy five at a home valued at \$350,000 or less. The first pages of the bill are technical corrections changing persons to individuals. The meat of the bill begins on page four, section three. On page four it has a schedule of how this bill would intend to eliminate property taxes for seniors as they age. It's a really nice balance because we know things go up every year so this proposal takes the first five years down five percent at a time. When they reach age 70 the state will be paying 75% of their property taxes. From age 70-74 it goes down 10% at a time so by the time they hit age 74 they should have about 35% payment of taxes and 65% paid by the state. At age 75 it drops to zero; it takes the last 35 percent. By doing this incrementally we tried to avoid a real hit on our resources that are available. I understand the fiscal note for this biennium is \$24 million and I think \$1 million a month for 24 months is a tremendous investment in our seniors because we all know they are on fixed incomes and many times they fall back because of the rise in property taxes and prices in general. I think this is an excellent vehicle to pursue. I hope this committee will do something for our seniors.

**Chairman Headland:** The meat of your bill is to provide tax relief to all seniors versus the traditional homestead tax credit which provided for more needy seniors?

**Representative Maragos:** I suppose you could frame it that way and I would accept that observation. I believe it will provide real property tax relief to seniors that are in the lower range that probably need this assistance more than others.

**Chairman Headland:** As I'm sure you're well aware we have some pretty affluent seniors in North Dakota. When dollars are tight do you believe our money could be better directed to the more needy seniors versus everyone as your bill would provide?

**Representative Maragos:** I would agree with that assessment. If you feel this bill is too broad then tighten it to target those that really need the help the most. I had to start somewhere in order to get the basic idea and the basic flow of what we're trying to accomplish here into the pipeline.

**Representative Steiner:** Did you consider that this could be pro-retirement in North Dakota because it doesn't put out a bigger net and includes more retirees who might be weighing the options of staying or leaving in North Dakota?

**Representative Maragos:** I did not. I don't know if that could be viewed as a positive or a negative; I will let you make that decision. I hope it wouldn't have that effect of people retiring sooner.

**Representative Froseth:** This bill doesn't replace any of our present homestead tax provisions. In many cases it would be whichever fits me best is the one best suited for that advantage but who's going to make that decision?

**Representative Maragos:** That is a very appealing line to many seniors.

**Representative Froseth:** Have you checked to see how this would fit in with the other homestead tax credit provisions we have in the century code now?

**Representative Maragos:** No, I did not look into the previous means testing. I understand in section three and four on page two it still has references to taxable valuation and income. I didn't want to mess with those because if the bill fails then we still have that there for the current statute. This is truly an attempt to address the issues of many of the seniors.

**Representative Trottier:** It says if the individual's income is in excess; is that total income earned and unearned income?

**Representative Maragos:** I couldn't answer that question. Maybe someone from the tax department could explain it.

**Chairman Headland:** Who believes we need to change a person to an individual and what makes an individual a better fit than a person?

**Representative Maragos:** That drafting was done by legislative council for conformity and application to law.

**Chairman Headland:** So it was not at your request?

**Representative Maragos:** It was not. Those were normal drafting applications.

**Chairman Headland:** Is there any support for 1325? Is there any opposition to 1325? Are there any questions for the tax department?

**Representative Froseth:** I'm still wondering how this is going to work with the present homestead tax credits provisions? Can the two go together or are we going to go with income based or this one?

**Sara Meier, Property Tax Specialist, Office of State Tax Commissioner:** The homestead credit program as it is now will stay intact. The additional language in this bill would be on top of that credit. A person could receive the homestead credit if they are 65 years of age and their income and asset test are met they would receive the portion that is coming to them for the homestead credit. Then we would go into this additional credit based on their age so it would be on top of the homestead credit program.

**Representative Froseth:** In that instance the fiscal note of \$24 million probably isn't going to be right, is it?

**Sara Meier:** I haven't seen this fiscal note but this is only for one year in this biennium. It takes effect after December 31, 2015. The only year this program would be in place would be for 2016 tax; for only half a biennium.

**Representative Dockter:** Last biennium we appropriated \$20 million for the program. To date do you know how much has been used of the \$20 million?

**Sara Meier:** If I remember right we still have about \$14 million out of the \$20 million. We just did another advertising run and from the phone calls I've received from the people who are interested in that program they may be abating their tax for the last two years. If they receive a credit for 2015 that's the maximum amount then they probably also qualified in the last two years. You're talking about paying that person three times in one year. We're having a lot of applicants catch up with that program and finding out that they qualify so we'll have quite a few abatements again this year.

**Representative Trottier:** In response to the individual's income, that would include all the income?

**Sara Meier:** It's all taxable income plus social security benefits.

**Chairman Headland:** I was just handed a definition of what an individual is and the difference between an individual and a person. We'll ask the intern to provide that for the whole committee.

**Sara Meier:** In the abatement possibilities; would the credit also be part of that abatement process? Currently we allow people to go back two years with the abatement process. Is this an additional credit, the one just based on the age, going to also be abatable for previous years?

**Chairman Headland:** We'll have to figure that out but it doesn't look like that would be written into it. If there are no further questions we will close the hearing on HB 1325.

**\*\*Written testimony was distributed from Donald Flaherty, Dickey County Director of Tax Equalization in opposition of HB 1325. See attachment #1.**

# 2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1325  
2/3/2015  
23134

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Mary Buckner*

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

A Bill relating to the expansion of the homestead credit exemption for individuals age sixty-five or older.

## Minutes:

**Chairman Headland:** This was Representative Maragos bill that added new language to the current program and it is going to provide relief at a certain percentage reduction when you hit the age of 65 years and then it increases five percent with each year of age.

**Representative Dockter:** MADE A MOTION FOR A DO NOT PASS.

**Vice Chairman Owens:** SECONDED.

**Representative Steiner:** It takes us away from the original intent of the homestead tax credit as it was more income based while this pulls us into just your age and it doesn't look like it takes into effect a lot of your wealth. We're kind of changing our policy of moving away from homestead tax credit of allowing people to stay in their homes and now we're moving into if you're just age 65 you're going to get a tax break regardless of income.

**Vice Chairman Owens:** I agree with Representative Steiner and I'm going to go a step further. It's going to increase the deduction of your home being worth \$350,000 so that's a huge increase.

**Representative Steiner:** I had a request from one of the Stark County people that for even our original homestead of low income people the valuation on the homes is rising at such a rate that we should do something with the home but not necessarily for high income people.

**Vice Chairman Owens:** That was the intent last time. The formula until last session was \$150,000 in assets so if your home was worth more than \$100,000 then that's against the \$150,000. So we raised it to \$500,000 to allow for that very thing.

**ROLL CALL VOTE FOR DO NOT PASS: 13 YES 0 NO 1 ABSENT**

**MOTION CARRIES FOR DO NOT PASS**

**Representative Dockter will carry this bill.**

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

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1325

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

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

Motion Made By Rep. Doerter Seconded By Rep. Owens

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	AB				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Doerter

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

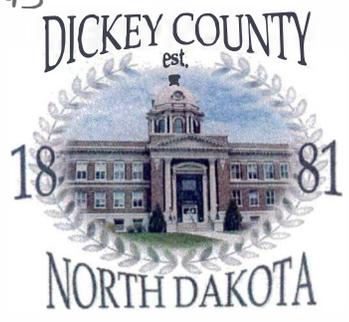
**REPORT OF STANDING COMMITTEE**

**HB 1325: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO NOT PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1325 was placed on the Eleventh order on the calendar.

**2015 TESTIMONY**

**HB 1325**

HB 1325  
1-20-15  
#1



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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 1325. I believe that the proposed changes to NDCC § 57-02-08.1 to expand the Homestead Tax Credit by extending eligibility for the credit based solely on reaching a certain age does not help those who are of the greatest need.

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 1325.

Respectfully Submitted,

*Donald W. Flaherty*

Donald W. Flaherty  
Dickey County Director of Tax Equalization