

2015 HOUSE FINANCE AND TAXATION

HCR 3021

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 3021
2/4/2015
23186

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A concurrent resolution directing the Legislative Management to study the feasibility and desirability of state payments to political subdivisions at a rate sufficient to replace property taxes and provide voters a greater level of control in local government budget determination.

Minutes:

Attachment #1

Chairman Headland: Opened hearing.

Representative Louser: Introduced concurrent resolution. See attached testimony #1.

Representative Haak: Have you thought about how you would address the renters or if property owners would only vote?

Representative Louser: Yes, everybody that is eligible to vote would get a vote. The dollar amount would be passed on in the rent agreement.

Vice Chairman Owens: I agree with you. There are a thousand questions associated with this.

Representative Froseth: We did a study on this back in 2009 and found it to be impossible. There are so many factors that come into play. There would have to be something to replace it.

Representative Louser: In this case I view this differently. I believe this would be a 5% increase across the board for every political subdivision off their budget from two years ago or whatever the number is. I would like to see the study resolution pass before I suggest a replacement. I think there's a way to offset some of that expense to the state. The special assessment wouldn't be something that's placed on a property owner without their vote and it would be a dollar amount instead of a percentage of the property value owned.

Chairman Headland: When property taxes started, how did we get here today? If the state were to pick up that burden by zeroing it out, aren't we shifting the cost to the state then starting over again?

Representative Louser: I've wrestled with that myself. I really think the safety net that guards against that are the voters saying they already have the burden on their property per year and they don't want to pay anymore. It's a direct dollar allocation as opposed to a levy against a property that the valuations can go up and down.

Chairman Headland: So essentially you're taking away the tax authority from local elected officials and putting the responsibility of that on the voters?

Representative Louser: That is what would be happening; taking away the ability of a local authority to tax the property knowing that they are going to have their budget stabilize by the state.

Chairman Headland: Do you think we could get it done in 80 days?

Representative Louser: Yes because this would be one budget item.

Chairman Headland: Do you think this could properly be studied over one interim? I think it would probably take several to do it thoroughly.

Representative Louser: I think it could be done if there are enough detail and direction given to the committee assigned.

Chairman Headland: Is there any testimony in support of this resolution? Is there any opposition? Does anyone have neutral testimony? Does anyone have any questions for the tax department? Seeing none we will close the hearing on HCR 3021.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HCR 3021

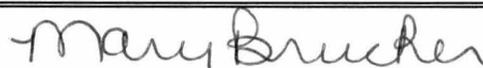
2/10/2015

23579

Subcommittee

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A concurrent resolution directing the Legislative Management to study the feasibility and desirability of state payments to political subdivisions at a rate sufficient to replace property taxes and provide voters a greater level of control in local government budget determination.

Minutes:

No attachments.

Representative Dockter: I remember Representative Froseth talking about this and what had happened in previous sessions.

Representative Froseth: We had a comprehensive study replacing property tax and there was really no consensus to come up with anything. There are so many tentacles on property taxes that go all over. All your out of state property would be tax free; out of state interest wouldn't be a cent of property tax towards local services. There were all kinds of stumbling blocks and we couldn't come up with a consensus to make an easier way to eliminate property tax and replace it with something else.

Representative Trottier: One of the things that concern everybody is the rising cost of property tax. If there's a group interested in taking this on maybe they could get a group and study this on their own rather than have state government study it.

Representative Steiner: I think the governor is planning on removing mills in a study so perhaps there's another study in the works.

Chairman Headland: We passed a bill earlier in the session that takes away mills.

Representative Mitskog: The task force was a proposal of capping mills and consolidating funds.

Vice Chairman Owens: The interim committee has studied property tax over and over again to some degree. I don't know what else we can learn about it. We should be between \$1.3 and \$1.4 billion now so if we look at replacing all that I'm wondering what is left to run the state on.

Representative Froseth: This resolution is directing the legislative management to study. If it was shall consider it then maybe I could support it and let them make the decision.

Chairman Headland: I think that if we passed this the study would be so extensive that you couldn't possibly do it in one interim.

Representative Hatlestad: Couldn't we just pick up the books from measure 2 committee and isn't that basically a study?

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

Representative Klein: SECONDED.

**ROLL CALL VOTE: 14 YES 0 NO 0 ABSENT
MOTION CARRIES FOR DO NOT PASS AND PLACING IT ON THE CONSENT
CALENDAR.**

Representative Haak will carry this bill.

Date: 2-10-15
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 3021**

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. Dockter Seconded By Rep. Klein

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

Total (Yes) 14 No 0

Absent —

Floor Assignment Rep. Dockter Haak

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

REPORT OF STANDING COMMITTEE

HCR 3021: Finance and Taxation Committee (Rep. Headland, Chairman) recommends DO NOT PASS and BE PLACED ON THE CONSENT CALENDAR (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HCR 3021 was placed on the Tenth order on the calendar.

2015 TESTIMONY

HCR 3021

HCR 3021
2-4-15
#1

NDLA, H FIN - Brucker, Mary

From: Louser, Scott C.
Sent: Monday, February 09, 2015 10:57 AM
To: NDLA, H FIN - Brucker, Mary
Subject: RE: HCR 3021

Mary,
I don't have it always in paragraph form but here's the content "cut and pasted":

HCR 3021

Can the state pay the current property tax bill / how much would it cost?
Remove the assessment / mill levy system
Eliminate abatements and exemptions
Look back 2 years prior and make that the basis plus a multiplier to avoid padding the stats (say 5% or so)
Start with the premise that the property tax bill is now 0%
Allow for a special assessment vote in a political subdivision with a super majority vote (60%) for instance.
The sub will come forward with the special project they want funded and must break it down by amount and number of years. Each single family residence will have the same dollar obligation regardless of the value or perceived value of the home. Political subdivision must determine the percentage of residential v. commercial v. industrial v. raw land
If the public opposes the idea, they will vote no
The subs will not bring forward many projects and only the good ones because the voters will hold them accountable.
The pressure to raise taxes will be eliminated locally
Truly becomes a "fee for service" model of taxation
The state would then be paying for education without the argument of "how much"
Examples of projects: community rec center / additional police officers / new county courthouse or new elementary or high school (all four subs in Minot)
Treats everybody fairly, no picking winners and losers, abatements or exemptions, no class warfare, not slanted to owners v. renters,
Watford City v. Willow City example: each gets same growth, rapid growth grants, Surge bill funding, HUB city, funding formulas, etc would still be available

The state would then not be paying the "property tax relief" in the form of education funding or the 12% buy down that may or may not get passed on to the taxpayer
The state would provide the budget to the local elected officials to determine how it's spent (just as they do now)

Questions needing answers in the study:
Is it legal / constitutional?
What about a current special assessment, could that continue based on a local area within a political sub?
How do current projects paid by special assessment get paid? (curb and gutter repair in a neighborhood)
How do you determine commercial levels of obligation: footprint / square footage / property types, etc?
How do you determine farm land / industrial land and do you tax for specials the vacant land?
What happens if / when the state does not have the funds to cover the previous biennium or current biennium plus an increase?
Would non-profits and other exempted properties now participate in the specials? (fee for service)

#10-2

What would happen to real estate prices if this were to pass and how much benefit would be gained by nonresident owners of property?

Could this answer if it could be done without a constitutional change and at what cost?

How would this be impacted by the oil tax in lieu of property tax argument?

What happens with the current special assessments and outstanding uncollected property taxes?

Would there be any bonding issues if the term property tax were replaced with special assessment and the mechanism we would now employ?

How would banks handle the escrow payments / amounts included in their accounts?

Is there federal funding tied to property tax revenue that would be eliminated?

From: NDLA, H FIN - Brucker, Mary

Sent: Thursday, February 05, 2015 8:20 AM

To: Louser, Scott C.

Subject: HCR 3021

Good morning Representative Louser,

You introduced HCR 3021 on Wednesday, February 4, 2015, to the Finance and Taxation Committee. Do you have written testimony that I could add to the minutes? That would be very helpful.

Thank you,

Mary Brucker

House Finance and Taxation Committee Clerk