

**2017 SENATE FINANCE AND TAXATION**

**SB 2292**

## 2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Lewis and Clark Room, State Capitol

Senate Bill 2292  
2/1/2017  
Job #: 27696

- Subcommittee  
 Conference Committee

Committee Clerk Signature



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

A BILL relating to new assessment of devalued properties; and to provide an effective date.

Minutes:

No Attachments

**Chairman Cook:** All Senators present. Opened the hearing on SB 2292.

**Senator Ward, District 37:** Brought the bill forward at the request of a constituent. The developers in his community, have put out a lot of money and now that things have slowed down, valuations are up and there is no activity on the property. Building and developing the properties is brought to a halt. What this bill does is state that the board of county commissioners shall afford additional consideration in ordering a new assessment for areas experiencing valuation reductions in excess of thirty percent over prior year valuations due to depressed economic conditions. The constituent is looking for a reduction in property tax. Even though valuations go down, the political subdivisions can still receive or assess the same number of dollars of the highest from the previous three years.

Closed the hearing on SB 2292.

# 2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Lewis and Clark Room, State Capitol

Senate Bill 2292  
2/1/2017  
Job #: 27712

- Subcommittee  
 Conference Committee

Committee Clerk Signature



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

A BILL relating to new assessment of devalued properties; and to provide an effective date.

Minutes:

No Attachments

## All Senators present.

**Linda Leadbetter, State Supervisor of Assessments, Office of State Tax Commissioner:** appeared before the committee to answer questions about SB 2292.

Explained her view on the bill. The only thing that seems to change is the percentage rate, everything else that it pertains is already in statute. The county already has the opportunity to order a reassessment. This identifies and area of reduction. It can be done at any time. Not necessary to have in here for a county to address a new assessment.

Appraisals and assessments are different. It's still already in the bill. Addressing a downturn in economic conditions. That's part of the assessment process all the time.

**Senator Laffen:** Someone built new large properties in Dickinson. They were assessed at the height of the boom. Very valuable, and still assessed at the high number. Dickinson assessor is saying they can't reassess because one hasn't been sold so there aren't any comparables. They aren't being sold because they aren't filling up. Can't get any reassessment looked at.

**Linda Leadbetter:** What we have been dealing with that area of the state. We know that there are not sales at this time, but we are working with the state board of equalization to have an understanding for your committee is that when a sales ratio study completed, we work with the previous year's sales data. Then we come up with a tolerance. They have to be within a 90-100% of their tolerance that they have based on their value they have placed on their property and what is indicated by the sales ratio study. Because there isn't a lot of sales in the apartment, motel, hotel business in the western part of the state, they are not sales that are helping to support what's helping on the commercial side of the sales ratio

study for that. What we are considering and discussed for the state board of equalization consideration for this upcoming year. It's similar to how we review lake shore property for residential. Even though it's part of the entire picture for residential property, lake shore will be considered separately when we look at your tolerance. Is it lakeshore that's out of tolerance or the other properties. We will do a similar sort of review this year for that type of property, know that the commercial property assessment has to be within the 90-100% tolerance. Dickinson was worried about lowering those certain types of properties, then they'd drop into 60-70% sales ratio study. We will then for this year, and a few future assessment cycles, pull those properties out to make sure they are being equalized amongst the classification as a hotel/motel and apartment complexes. Allow a difference in the tolerance level to say this has been accounted for and allow for more sales to be reported to identify what's happening. We'll use an income approach probably more to get to that point because we won't have as much sales information.

Questioned on why an income approach isn't be used now by the assessors. They are using an income approach, but still having to use the sales data information as well. They're trying to come to a place in the middle with both of the information, believing they have to be at a 90% tolerance, knowing that the state board of equalization is willing to consider those a little more separately. If they aren't in tolerance when it comes to the state board, we can determine the assessment they had to reduce on those type of properties based on income and still be within tolerance after the adjustments made. 5:43

**(0:05:40-0:07:10)** Scenario was given. A person owes 20 million dollars of property in Dickinson, apartments are 20% occupied. No money is being made from them. The valuation isn't coming down this year. The places are empty. Can an abatement be filed the following year? An abatement can always be filed but it isn't guaranteed to be successful. The state is working with the assessors in that region of that state, that they need to look at the income approach more strongly than they had. One property that was reduced last year, hadn't taken any time to examine the income approach. If there are not sales occurring, have to look at and weight the income approach heavily.

**Senator Dotzenrod:** Does the local assessor have any authority at the local level to do it on their own. I have no sales, so I'm going to go look at an income approach and decide to lower the property.

**Linda Leadbetter:** That is their responsibility to do at the local level. By the time it reaches the county tax director is when it's reviewed based on the tolerance level. They are charged with that responsibility, not that they can, they should be doing that, looking at the income approach every chance they have.

**Chairman Cook:** You have the authority to go out and tell them they should be changing some practices. Is that something that should be done in Dickinson right now?

**Linda Leadbetter:** Yes, that is something we are doing. Trying to get out more. Have probably been to more counties in the last two years than have been visited in a long time because of that ability.

**Senator Dotzenrod:** when you have a situation like this, where the property values drop, like in the 80's when the boom went south. Is it true that the drop off in the values are fairly uniform across the board?

**Linda Leadbetter:** What probably would explain that best, when talking about a percentage and when a change actually happens. It's going to happen when they have enough information in their market to make those changes. What we're addressing and what Senator Laffen indicated before was the idea that you know you have to ride the market. You have a point where you were assessed at a certain level and the market was really going up. The sales aren't there right away to catch up with that, so the property that was at a lower level takes a while to get up there, and then it finds its way up there and can slowly find its way down again. What's happened with some of these, they were built right at the peak so they didn't have the opportunity to have those years where they were slightly lower than they could have been. They hit that place and they built and they opened where they were going to have 15% occupancy. So their assessments started out with as high as the others at the time. Now it's taking time to ride it down. Those that rode it up and down, it's fair because they did not achieve the high value right away and it takes a while to get down. But those that built at the peak are the ones that are feeling it the most because they opened at the highest taxable value and they did not have the occupancy to pay for it.

As the percentage changes, it's relative to when you had the property in place. It is still changing with the flow of the sales as it's intended to do, but those that built and became operational at the peak, even for a residential structure, takes a while for value to go down.

**(0:11:30-0:13:50)** Discussion was held on the process from local tax equalization boards to the state equalization board. 45 appeals made it to the state level. State level doesn't keep track of the ones that are settled at the lower levels.

**(0:14:00-0:18:00)** Conversation was held on the different percentages, mill levies, assessments and property valuations.

**Closed the meeting.**

# 2017 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Lewis and Clark Room, State Capitol

Senate Bill 2292  
2/1/2017  
Job #: 27749

- Subcommittee  
 Conference Committee

Committee Clerk Signature



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

A BILL for an Act to amend and reenact subsection 1 of section 57-14-08 of the North Dakota Century Code, relating to new assessment of devalued properties; and to provide an effective date.

**Minutes:**

No Attachments

Committee work on SB 2292.

**Senator Laffen moved a Do Not Pass on Senate Bill No. 2292.**

**Senator Unruh seconded.**

**Roll Call Vote was taken: 6 yeas, 0 nays, 0 absent.**

**Motion passed.**

**Senator Laffen will carry the bill.**

Date: 2-1-11  
Roll Call Vote #: 1

**2017 SENATE STANDING COMMITTEE  
ROLL CALL VOTES**

## Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description:

Recommendation:

- Adopt Amendment
- Do Pass       Do Not Pass
- As Amended
- Place on Consent Calendar
- Without Committee Recommendation
- Rerrefer to Appropriations

Other Actions:  Reconsider

Motion Made By Hafen Seconded By Unruh

Total (Yes) 1 No 1

Absent

Floor Assignment Lafren

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

**REPORT OF STANDING COMMITTEE**

**SB 2292: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO NOT PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).** SB 2292 was placed on the Eleventh order on the calendar.