

**SECOND ENGROSSMENT
with House Amendments-Minority Report
SENATE BILL NO. 2032**

Introduced by

Legislative Council

(Finance and Taxation Committee)

1 A BILL for an Act to create and enact section 57-01-20 and two new subsections to section
2 57-15-01.1 of the North Dakota Century Code, relating to allocation of school district property
3 tax relief funds and levy limitations for school districts; to amend and reenact sections
4 57-15-14, 57-15-31, 57-20-07.1, 57-20-09, 57-20-21.1, 57-32-03, 57-51.1-07.2, subdivision b of
5 subsection 1 of section 57-55-03, and section 57-55-04 of the North Dakota Century Code,
6 relating to school district levy limitations, contents of property tax statements, payment of real
7 estate taxes, mobile home taxes, and continuing appropriation of funds from the permanent oil
8 tax trust fund for school district property tax relief; to provide a statement of legislative intent; to
9 provide for a legislative council study; to provide a continuing appropriation; to provide an
10 effective date; and to provide an expiration date.

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

12 **SECTION 1.** Section 57-01-20 of the North Dakota Century Code is created and
13 enacted as follows:

14 **57-01-20. State-paid property tax relief allocation.** The tax commissioner shall
15 allocate funds appropriated under section 57-51.1-07.2 for property tax relief as provided in this
16 section.

17 1. The superintendent of public instruction shall determine an adjusted combined
18 education mill rate for each school district by September first of each year. For
19 purposes of this section, "combined education mill rate" means up to two hundred
20 mills of the combined number of mills levied for taxable year 2006 by a school
21 district for the general fund and for high school tuition and high school
22 transportation.

23 2. To determine the number of mills eligible for state-paid property tax relief, the
24 superintendent of public instruction shall subtract one hundred thirty mills from

1 each school district's combined education mill rate. The eligible mills may not be
2 reduced to less than zero mills. By September fifteenth of each year, the
3 superintendent of public instruction shall provide the tax commissioner the number
4 of mills eligible for state-paid property tax relief for each school district.

5 3. The tax commissioner shall divide the eligible mills determined for each school
6 district under subsection 2 by two and multiply the resulting number of mills times
7 the current taxable valuation of property in the school district to determine the
8 property tax relief allocation in dollars for the school district. The resulting amounts
9 must be prorated as necessary to allocate total property tax relief of fifty million
10 dollars among school districts for each year.

11 4. The tax commissioner shall certify to each county auditor by October first of each
12 year the number of mills of state-paid property tax relief determined under this
13 section for each school district in the county. By August first of each year, the tax
14 commissioner shall certify to each school district the amount of the allocation
15 under this section for the school district for the next budget year and shall certify
16 the same information to each county treasurer for each school district in the
17 treasurer's county.

18 5. The tax commissioner shall certify to the state treasurer for payment to county
19 treasurers of amounts determined under this section for school districts to provide
20 for payment of ninety percent of the amount by March first and the balance of the
21 amount by June fifteenth following the taxable year for which the claims are made.

22 6. After payments to counties under subsection 5 have been made, the tax
23 commissioner shall settle any amounts payable to or received from counties due to
24 errors, abatements, compromises, omitted property, or court-ordered tax
25 adjustments.

26 7. The county treasurer shall allocate the amounts received under this section among
27 the school districts entitled to the funds.

28 **SECTION 2.** Two new subsections to section 57-15-01.1 of the North Dakota Century
29 Code are created and enacted as follows:

30 The base year amount used for a school district determining its levy limitation
31 under this section must be increased by the amount of the school district's property

1 tax relief allocation under section 57-01-20 for the base year to the extent that
2 allocation exceeds the amount of the school district's property tax relief allocation
3 under section 57-01-20 for the budget year.

4 The base year amount used for a school district determining its levy limitation
5 under this section must be reduced by the amount of the school district's property
6 tax relief allocation under section 57-01-20 for the budget year to the extent that
7 allocation exceeds the amount of the school district's property tax relief allocation
8 under section 57-01-20 for the base year.

9 **SECTION 3. AMENDMENT.** Section 57-15-14 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **57-15-14. Tax levy limitations in school districts.** The aggregate amount levied
12 each year for the purposes listed in section 57-15-14.2 by any school district, except the Fargo
13 school district, may not exceed the amount in dollars which the school district levied for the
14 prior school year plus ~~eighteen~~ nine percent up to a general fund levy of one hundred
15 ~~eighty-five~~ fifty-seven mills on the dollar of the taxable valuation of the district, except that:

- 16 1. In any school district having a total population in excess of four thousand
17 according to the last federal decennial census:
 - 18 a. There may be levied any specific number of mills ~~that, which~~ upon resolution
19 of the school board has been submitted to and approved by a majority of the
20 qualified electors voting upon the question at any regular or special school
21 district election.
 - 22 b. There is no limitation upon the taxes which may be levied if upon resolution of
23 the school board of any such district the removal of the mill levy limitation has
24 been submitted to and approved by a majority of the qualified electors voting
25 at any regular or special election upon such question.
- 26 2. In any school district having a total population of less than four thousand, there
27 may be levied any specific number of mills ~~that, which~~ upon resolution of the
28 school board has been approved by fifty-five percent of the qualified electors
29 voting upon the question at any regular or special school election.
- 30 3. After June 30, 2007, in any school district election for approval by electors of
31 unlimited or increased levy authority under subsection 1 or 2, the ballot must

1 specify the number of mills, the percentage increase in dollars levied, or that
2 unlimited levy authority is proposed for approval, and the number of taxable years
3 for which that approval is to apply. After June 30, 2007, approval by electors of
4 unlimited or increased levy authority under subsection 1 or 2 may not be effective
5 for more than ten taxable years.

6 4. In any school district in which the total assessed valuation of property has
7 increased twenty percent or more over the prior year and in which as a result of
8 that increase the school district is entitled to less in state aid payments provided in
9 chapter 15.1-27 because of the deduction required in section 15.1-27-05, there
10 may be levied any specific number of mills more in dollars than was levied in the
11 prior year up to a general fund levy of one hundred eighty-five mills on the dollar of
12 the taxable valuation of the school district. The additional levy authorized by this
13 subsection may be levied for not more than two years because of any twenty
14 percent or greater annual increase in assessed valuation. The total amount of
15 revenue generated in excess of the ~~eighteen~~ nine percent increase which is
16 otherwise permitted without voter approval by this section may not exceed the
17 amount of state aid payments lost as a result of applying the deduction provided in
18 section 15.1-27-05 to the increased assessed valuation of the school district in a
19 one-year period.

20 5. The question of authorizing or discontinuing such specific number of mills authority
21 or unlimited taxing authority in any school district must be submitted to the
22 qualified electors at the next regular election upon resolution of the school board or
23 upon the filing with the school board of a petition containing the signatures of
24 qualified electors of the district equal in number to twenty percent of the number of
25 persons enumerated in the school census for that district for the most recent year
26 such census was taken, unless such census is greater than four thousand in which
27 case only fifteen percent of the number of persons enumerated in the school
28 census is required. However, not fewer than twenty-five signatures are required
29 unless the district has fewer than twenty-five qualified electors, in which case the
30 petition must be signed by not less than twenty-five percent of the qualified
31 electors of the district. In those districts with fewer than twenty-five qualified

1 electors, the number of qualified electors in the district must be determined by the
2 county superintendent for such county in which such school is located. However,
3 the approval of discontinuing either such authority does not affect the tax levy in
4 the calendar year in which the election is held. The election must be held in the
5 same manner and subject to the same conditions as provided in this section for the
6 first election upon the question of authorizing the mill levy.

7 **SECTION 4. AMENDMENT.** Section 57-15-31 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 **57-15-31. Determination of levy.** The amount to be levied by any county, city,
10 township, school district, park district, or other municipality authorized to levy taxes shall be
11 computed by deducting from the amount of estimated expenditures for the current fiscal year as
12 finally determined, plus the required reserve fund determined upon by the governing board from
13 the past experience of the taxing district, the total of the following items:

- 14 1. The available surplus consisting of the free and unencumbered cash balance.
- 15 2. Estimated revenues from sources other than direct property taxes.
- 16 3. The total estimated collections from tax levies for previous years.
- 17 4. Such expenditures as are to be made from bond sources.
- 18 5. The amount of distributions received from an economic growth increment pool
19 under section 57-15-61.
- 20 6. The estimated amount to be received from payments in lieu of taxes on a project
21 under section 40-57.1-03.
- 22 7. The amount certified to a school district and the county treasurer by the state tax
23 commissioner as the school district's property tax relief allocation for the year
24 under section 57-01-20.

25 Allowance may be made for a permanent delinquency or loss in tax collection not to exceed
26 five percent of the amount of the levy.

27 **SECTION 5. AMENDMENT.** Section 57-20-07.1 of the North Dakota Century Code is
28 amended and reenacted as follows:

29 **57-20-07.1. County treasurer to mail real estate tax statement.** On or before
30 December twenty-sixth of each year, the county treasurer shall mail a real estate tax statement
31 to the owner of each parcel of real property at the owner's last-known address. The statement

1 must be provided in a manner that allows the taxpayer to retain a printed record of the
2 obligation for payment of taxes and special assessments as provided in the statement. If a
3 parcel of real property is owned by more than one individual, the county treasurer shall send
4 only one statement to one of the owners of that property. Additional copies of the tax statement
5 will be sent to the other owners upon their request and the furnishing of their names and
6 addresses to the county treasurer. ~~Such tax statements~~ The tax statement must include a
7 dollar valuation of the true and full value as defined by law of the property and the total mill levy
8 applicable. The tax statement must include two columns showing, for the taxable year to which
9 the tax statement applies and the immediately preceding taxable year, the property tax levy in
10 dollars against the parcel by the city, county, and school district and the amount of state-paid
11 school district property tax relief for the parcel under section 57-01-20. Failure of an owner to
12 receive a statement will not relieve that owner of liability, nor extend the discount privilege past
13 the February fifteenth deadline.

14 **SECTION 6. AMENDMENT.** Section 57-20-09 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **57-20-09. Discount for early payment of tax.** Except as provided in section
17 57-20-21.1, the county treasurer shall allow a five percent discount to all taxpayers who shall
18 pay all of the real estate taxes levied on any tract or parcel of real property in any one year in
19 full on or before February fifteenth prior to the date of delinquency. Such discount applies, after
20 deduction of any credit allowed under section 57-01-20, to the net remaining amount of all
21 general real estate taxes levied for state, county, city, township, school district, fire district, park
22 district, and any other taxing districts but does not apply to personal property taxes or special
23 assessment installments. Whenever the board of county commissioners, by resolution,
24 determines that an emergency exists in the county by virtue of weather or other catastrophe, it
25 may extend the discount period for an additional thirty days.

26 **SECTION 7. AMENDMENT.** Section 57-20-21.1 of the North Dakota Century Code is
27 amended and reenacted as follows:

28 **57-20-21.1. Priority for delinquent taxes.** When payment is made for any real or
29 personal property taxes or special assessments, payments must be applied first to the oldest
30 unpaid delinquent taxes or special assessments due, if any, shown to exist upon the property
31 for which the tax payments are made, including any penalty and interest, except payments of

1 state-paid property tax relief credit made by the state must be applied to taxes for the year for
2 which the state-paid property tax relief credit is granted. The discounts applicable to payment
3 of taxes set out in section 57-20-09 do not apply to payment of taxes made on property upon
4 which tax payments are delinquent.

5 **SECTION 8. AMENDMENT.** Section 57-32-03 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **57-32-03. Tax statements prepared by state tax commissioner - When due and**
8 **delinquent.** On or before the thirty-first day of March in each year, the tax commissioner shall
9 provide each company assessed under the provisions of this chapter a statement of its taxes
10 due for the preceding year, with the valuations and taxes assessed in each case. The tax
11 statement must include two columns showing, for the taxable year to which the tax statement
12 applies and the immediately preceding taxable year, the property tax levy in dollars against the
13 parcel by the city, county, and school district and the amount of state-paid school district
14 property tax relief for the parcel under section 57-01-20. Such taxes are due upon the fifteenth
15 day of April next following the date of the statement of taxes due. The taxes become
16 delinquent on the first day of May next following the due date and, if not paid on or before said
17 date, are subject to a penalty of two percent and, on June first following delinquency, an
18 additional penalty of two percent and, on July first following delinquency, an additional penalty
19 of two percent and, an additional penalty of two percent on October fifteenth following
20 delinquency. From and after January first of the year following the year in which the taxes
21 became due and payable, simple interest at the rate of twelve percent per annum upon the
22 principal of the unpaid taxes must be charged until such taxes and penalties are paid, with such
23 interest charges to be prorated to the nearest full month for a fractional year of delinquency. All
24 the provisions of the law respecting delinquency of personal property assessments generally so
25 far as may be consistent with the provisions of this chapter are applicable equally to the
26 assessments and taxes provided for in this chapter.

27 **SECTION 9. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code
28 is amended and reenacted as follows:

29 **57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of**
30 **distribution formula - Continuing appropriation for property tax relief.** All revenue
31 deposited in the general fund during a biennium derived from taxes imposed on oil and gas

1 under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be
2 transferred by the state treasurer to a special fund in the state treasury known as the
3 permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the
4 permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of
5 the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the
6 members elected to each house of the legislative assembly.

7 If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after
8 June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in
9 this section by the same percentage increase or decrease in the amount of revenue allocable
10 to the general fund after the change in the allocation formula, and transfers to the permanent oil
11 tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of
12 the transfers to the permanent oil tax trust fund is not increased or decreased merely because
13 of changes in the distribution formulas.

14 To the extent moneys are available in the permanent oil tax trust fund, fifty million
15 dollars is appropriated to the state treasurer each February first as a standing and continuing
16 appropriation to provide property tax relief payments to county treasurers under section
17 57-01-20. To the extent moneys in the permanent oil tax trust fund are insufficient to fully fund
18 the allocation under section 57-01-20, the amount of any deficiency is appropriated as a
19 standing and continuing appropriation from the state general fund.

20 **SECTION 10. AMENDMENT.** Subdivision b of subsection 1 of section 57-55-03 of the
21 North Dakota Century Code is amended and reenacted as follows:

22 b. If the tax imposed by this chapter is paid in full within thirty days after the
23 mobile home is purchased or moved into this state, the county treasurer shall
24 allow a five percent discount, after deduction of any credit allowed under
25 section 57-01-20. However, if the tax is not paid within forty days it is subject
26 to a penalty and interest. The penalty is one percent of the tax. The interest
27 is one-half percent of the tax for each full and fractional month of delay.

28 **SECTION 11. AMENDMENT.** Section 57-55-04 of the North Dakota Century Code is
29 amended and reenacted as follows:

30 **57-55-04. Taxes - How determined - Disbursement.** The director of tax equalization
31 shall determine the tax for each mobile home by placing an evaluation on the mobile home

1 based upon its assessed value and by adjusting the valuation of the mobile home by the
2 percentage provided in section 57-02-27 to determine its taxable valuation under standards and
3 guides determined by the state tax commissioner and applying that evaluation to the preceding
4 year's total mill levies applying to property within the taxing district in which the mobile home is
5 located. The county treasurer shall provide a tax statement for each mobile home subject to
6 taxation under this chapter, including two columns showing, for the taxable year to which the
7 tax statement applies and the immediately preceding taxable year, the property tax levy in
8 dollars against the mobile home by the city, county, and school district and the amount of
9 state-paid school district property tax relief for the mobile home under section 57-01-20. If a
10 mobile home is acquired or moved into this state during the calendar year and a tax permit has
11 not been previously issued for such mobile home in this state for such year, the tax is
12 determined by computing the remaining number of months of the current year to the nearest full
13 month and multiplying that number by one-twelfth of the amount which would be due for the full
14 year. The taxes collected under this chapter must be disbursed in the same year they are
15 collected and in the same manner as real estate taxes for the preceding year are disbursed.

16 **SECTION 12. LEGISLATIVE INTENT - LEGISLATIVE COUNCIL STUDY.** It is the
17 intent of the sixtieth legislative assembly that enactment of this Act will initiate an increase in
18 the state's share of elementary and secondary education funding to secure immediate and
19 future benefits to the citizens of the state. These benefits include relief from the expanded
20 property tax burden that has created disparity within the tax structure of the state, enhanced
21 equity of funding to support elementary and secondary education students, enduring property
22 tax reductions, and returning to taxpayers a substantial measure of revenue collections
23 augmented by a robust state economy. It is the further intent of the sixtieth legislative
24 assembly that enactment of this Act will produce a reduction in property tax burdens which, with
25 continued efforts of future legislative assemblies, will result in reduction of each annual property
26 tax bill to an amount that is not more than one and one-half percent of the true and full value for
27 any parcel of property.

28 The legislative council shall study, in each legislative interim through 2012, compliance
29 with, and future funding sources for, the shift in education funding and taxation policy initiated
30 by enactment of this Act. The legislative council shall report its findings and recommendations,

1 together with any legislation necessary to implement the recommendations, to each
2 subsequent legislative assembly.

3 **SECTION 13. EFFECTIVE DATE - EXPIRATION DATE.** This Act is effective for the
4 first two taxable years beginning after December 31, 2006, for ad valorem property taxes and
5 for the first two taxable years beginning after December 31, 2007, for mobile home taxes, and
6 is thereafter ineffective.