

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

TAXATION COMMITTEE

Thursday, January 19, 2012
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator David Hogue, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators David Hogue, Randy Burckhard, Dwight Cook, Jim Dotzenrod, Lonnie J. Laffen, Dave Oehlke, Ronald Sorvaag; Representatives Craig Headland, Wesley R. Belter, David Drovdal, Glen Froseth, Lyle Hanson, Patrick Hatlestad, Richard Holman, Shirley Meyer, Mike Nathe, Marvin E. Nelson, Mark S. Owens, Roscoe Streyle

Members absent: Representatives Larry Bellew, Jim Kasper

Others present: Representative Jerry Kelsh, member of the Legislative Management, was also in attendance.

See [Appendix A](#) for additional persons present.

It was moved by Representative Meyer, seconded by Representative Drovdal, and carried on a voice vote that the minutes of the October 19, 2011, meeting be approved as distributed.

PROPERTY TAX STUDY

At the request of Chairman Hogue, committee counsel presented a bill draft [[13.0018.01000](#)] to provide property tax relief through allocations to school districts in the manner relief was provided by 2011 House Bill No. 1047. He said the bill draft contains the funding provisions and statutory mill levy reduction allocation and grant provisions that were provided by the 2011 legislation with the exception that the funding level for the 2013-15 biennium is increased to \$403,407,000 based on estimates received by the committee of necessary funding for the 2013-15 biennium. He said the statutory provisions are contained in the bill draft but do not show any amendments. He said the statutory provisions are included for committee consideration, in the event the committee decides to make changes to the allocation and grant provisions. He reviewed the mill levy reduction allocation and grant provisions.

Chairman Hogue invited comments of interested persons in attendance regarding the property tax relief bill draft.

Mr. Brian Duchscherer, Superintendent, Carrington Public School District, said before the 2009 property tax mill levy reduction allocations, school districts had authority under board action to levy up to 185 mills. He said the property tax relief provisions capped school levies at the level they were in 2008, which in

the case of the school district was approximately 159 mills. He said a neighboring school district was capped at 185 mills, and the legislation created an inequity between these districts. He said a district with authority to levy 185 mills is able to access more property tax relief than a district like the Carrington Public School District, which receives only 59 mills of property tax relief. He said this situation results in an inequity for the school district and the taxpayers. He said for two legislative sessions school districts have raised this issue, but no changes have been made to remedy this situation.

In response to a question from Senator Hogue, Mr. Duchscherer said the Midkota School District is the neighboring school district receiving the full 75-mill property tax relief.

Mr. Mitch Carlson, Superintendent, LaMoure Public School District, expressed a similar concern regarding the limited levy authority of the LaMoure Public School District. He said for all future years, the school district is limited to 168 mills of operating revenue. He said 68 other school districts are in a comparable position. He said the limitation on the property tax relief allocation results in an inequity to those school districts and taxpayers in those districts. He said options he would recommend to be considered to resolve these inequities would include making all school districts eligible for 75 mills of property tax relief, reduce the maximum relief for school districts to 65 mills and increase the property tax levy authority of school districts to 120 mills, and provide that all school districts receive a mill levy reduction allocation based on what the district levied over 100 mills.

Mr. Carlson said circumstances of school districts have changed in different ways since 2008. He said because property tax relief legislation ties school districts to 2008 levies, inequities will continue to exist and new inequities will develop. He said school districts need to know if the Taxation Committee or another committee will recommend changes so school districts can plan accordingly.

In response to a question from Representative Kelsh, Mr. Carlson said the LaMoure Public School District receives about \$132,000 less in property tax relief than it would have received at a 75-mill reduction.

Mr. Mark Weston, Superintendent, Central Cass Public School District, said in his school district one mill generates about \$18,000. He said in 2008 the school district was approximately 20 mills below the

levy limit which means the district loses about \$360,000 per year compared to other school districts. He said the intent of the property tax relief legislation was good, but there is some unfairness among school districts which must be addressed. He said districts that became more efficient and reduced mill rates, as suggested to them by the state, have received a smaller amount of relief than those districts that pushed the property tax levy rate to the maximum. He suggested that consideration to this issue should be given to provide equal levels of relief among school districts and taxpayers.

Mr. Pat Feist, Superintendent, Enderlin Public School District, said his school district was reorganized in 2007. He said the combined school districts previously had levies of 235 mills or more, and after the reorganization the consolidated levy was reduced to 166 mills. Because the property tax relief was based on 2008 levies, the school district was in effect penalized for consolidating and becoming more efficient. He said the school district is now eligible for less property tax revenue and less property tax relief than school districts that did not achieve a more efficient and reduced mill rate.

Mr. Steve Hall, Superintendent, Kindred Public School District, said the Kindred Public School District is a consolidated district presently limited to 166.5 mills. He said the school board could have moved its levy to 185 mills but did not believe that was an appropriate decision. He said the debt limit of the school district has been reached, and he believes a limit of 10 percent of assessed valuation is too low for a debt limit. He said another factor affecting the school district is the proposed Fargo-Moorhead Red River diversion plan, which would eliminate about 23 percent of the taxable valuation of the school district. He said it appears taxpayers in the school district will have to pick up the tax burden if the plan is implemented.

Representative Meyer asked how school consolidation can be accomplished during the period when tax relief is provided through limiting school district levies. Mr. Duchscherer said school consolidations have not been occurring in the years of the property tax relief delivery through school levies.

In response to a question from Representative Drovdal, committee counsel said the provision beginning on line 23, page 2, of the bill draft, was a provision added by a 2011 amendment. He said the provision limits the grant to school districts to an increase that is not more than the statewide average taxable valuation increase for the previous year. He said the provision was added because concerns were raised about extreme valuation increases in some school districts that would have greatly inflated the amount of property tax relief allocation while reducing the mill rate for property taxes for those school districts.

Representative Headland said the increases in the cost of this property tax relief method are a concern to a number of legislators. He said he would like to see

information provided to gauge the effect of the suggestion of reducing the maximum property tax relief to 65 mills and allowing districts to increase the property tax levy to 120 mills.

Mr. Mike Severson, Superintendent, New Salem-Almont School District, said his school district was consolidated in 2007-08. He said the consolidation resulted in a blended mill rate of 154.5 mills, which ended up lower than what the consolidation agreement statement said would be the minimum mill levy of 160. He said based on a four-year period, the school district taxpayers lost out on a \$520,000 property tax relief opportunity. A copy of information regarding school district levies distributed by Mr. Severson is attached as [Appendix B](#).

Senator Cook said the Education Funding and Taxation Committee is studying short-term and longer-term state and local funding of elementary and secondary education. He said that study includes consideration of many of the property tax issues being considered by the Taxation Committee. He said it would make sense to clarify which committee is going to address property tax issues so school district representatives do not have to track, attend, and offer suggestions to both committees on the same topic. He said perhaps Chairman Hogue can confer with the chairman of the Education Funding and Taxation Committee to set out the issues each committee will address to reduce duplication of efforts of school district representatives.

Senator Cook said the 2011 property tax relief legislation imposed a cap on grants to school districts based on the percentage increase in taxable valuation of property statewide. He asked what the percentage growth in taxable valuation will be for this year and the second year of the biennium. He said estimates have been provided but better information should now be available.

Chairman Hogue said he will discuss with the chairman of the Education Funding and Taxation Committee the feasibility of defining the issues to be addressed by each committee to allow school district representatives to know which issues each committee will address.

Representative Kelsh said the situation described by school district representatives is hurting education and taxpayers of some school districts. He said some of the affected school districts have fallen into this situation because the property tax relief method was initiated after consolidation of school districts reduced mill rates. He said consolidation of school districts is encouraged by the state and should be rewarded rather than resulting in a reduced level of property tax relief.

Committee counsel said copies ([Appendix C](#)) of correspondence received from Ms. Clarice Liechty, Jamestown, were distributed to committee members. He said Ms. Liechty requested that the information be provided to committee members because she is out of state and unable to attend this meeting. He said the correspondence includes opinions from the

Jamestown City Attorney relating to a property tax exemption for certain property granted by the Jamestown City Council for construction of a facility to be used at least in part for assisted living facilities. He said it appears Ms. Liechty has urged the City Council to eliminate the property tax exemption on the grounds that the property is not being used for the purpose that was the basis of the exemption. He said several legal issues are pointed out in the opinions of the Jamestown City Attorney with regard to revocation of a tax exemption previously granted.

Senator Cook said the information provided by Ms. Liechty points out that there may be a need for legislative consideration regarding revocation of a property tax exemption. He said information should be provided at the next committee meeting on the issue of whether there are statutory deficiencies to provide cities the authority to monitor compliance with use of property for which exemptions were granted.

At the request of Chairman Hogue, committee counsel presented a bill draft [[13.0017.01000](#)] to provide a residential property tax credit. He said the bill draft would eliminate the farm residence property tax exemption and create a residential property tax credit for any primary residence. He said the bill draft does not specify the reduction in value of a primary residence because an estimate must be obtained of the amount of reduction that can be provided and the amount of appropriated funds necessary to provide the reduction. He said the bill draft also would allow the credit for an estate, trust, corporation, or passthrough entity that owns residential property used in a farming or ranching operation if that property is occupied as a primary residence by an individual who is a beneficiary of the estate or trust or holds an ownership interest in the corporation or passthrough entity. He said if an individual is entitled to a homestead credit or veteran's credit against a primary residence, those reductions must be applied against the property first and then the reduction under the bill draft must be applied to the value of the residence. He said many of the administrative provisions for the residential property tax credit, including payments by the Tax Commissioner to political subdivisions, are identical to the provisions for the homestead credit administration. He said the bill draft provides an appropriation but does not specify the amount, because decisions must be made and research will be necessary to make that determination.

Representative Meyer said in the 2011 legislative session, restrictions in the valuation formula were removed for the capitalization rate, which will increase agricultural property valuations. She said she understood there was a "gentlemen's agreement" that the farm residence exemption would be left alone in view of the agricultural property valuation increases.

Representative Drovdal asked if this bill draft is intended to replace the current method of property tax relief. Committee counsel said he understands that it could replace the current method.

Senator Cook said this approach may not completely replace the current method. He said the residential property tax credit could be blended with the mill levy reduction relief approach. He said the history of deliberations on property tax relief includes opinions expressed by many legislators that relief should be targeted to primary residential property. He said if a portion of relief is provided through a residential property tax credit, a greater share of relief can be targeted to residents. Senator Cook said he sees a tremendous amount of benefit from a universal credit on homestead residential property. He said he is considering the feasibility of eliminating property tax through the residential credit for the first \$75,000 of true and full value of a residence. He said this would exempt the full value of a majority of farm residences. He said it should be possible for the Tax Department to get fairly close on a fiscal note, although existing information has shortcomings in information on what is homestead residential property and on valuation of farm residences. He said it will be necessary to obtain a fiscal note and to obtain opinions from tax officials on this approach.

Representative Kelsh said he is aware of several farm homes with more than \$75,000 market value. He said he is aware that some farm homes have sold in the neighborhood of \$200,000. He said one significant reason for the farm residence exemption has been that farmers pay property tax to the middle of the road, and that fact has been part of the reason for exemption of the farm residence. He said this would not be an appropriate time to put farm residences on the tax roll, because we are likely to see very high valuation increases for farmland.

Representative Froseth said another approach to property tax relief that should be examined would be to retain the current tax structure and allocate \$200 million per year to counties, which they would apply to reduce everyone's tax bill by 25 percent or whatever percentage reduction would result. He said this may be a simpler option to consider.

Chairman Hogue said perhaps Representative Froseth can work to develop a bill draft that would begin discussion of this issue.

Chairman Hogue requested Ms. Sara Meier, Property Tax Specialist, Tax Department, that the Tax Department develop a fiscal note for the residential property tax credit bill draft assuming true and full value reductions for qualifying property of \$75,000 to \$150,000 in \$25,000 increments. Ms. Meier said much of the necessary information would be unavailable, and the Tax Department may have to survey counties to obtain the best available information.

Representative Meyer asked that an estimate be provided on the effect of the declining capitalization rate for agricultural property assessments in the next two years and how much it will cost farmers in property taxes.

Representative Kelsh said a valuation increase for agricultural property does not have to translate into a

tax increase. He said if mill rates are reduced, property taxes would not increase, but some shifting of property tax burden to agricultural property may result if values increase faster than other property types.

At the request of Chairman Hogue, committee counsel presented a memorandum entitled [Homestead Exemptions in Alabama](#). He said Alabama law allows four types of homestead property tax exemptions. He said each exemption type must be requested annually and is only available for a single-family residence occupied as a primary residence. He said the state of Alabama imposes a property tax of 6.5 mills. He said the regular homestead exemption is available for any resident and applies against a primary residence used for no other purposes. He said the exemption is for \$40,000 in appraised value against state taxes and \$20,000 in appraised value against county taxes. He said the other three types of exemptions are available for persons over age 65 and are income-based or apply in different amounts against state and county taxes.

Chairman Hogue called on Mr. Terry Traynor, Assistant Director, North Dakota Association of Counties, for testimony ([Appendix D](#)) on out-of-state ownership of property in North Dakota. Mr. Traynor said representatives of software vendors for counties were contacted to assist in collecting information of relevance to ownership of North Dakota property by out-of-state residents. He said through these efforts, data was gathered based on the mailing address of the December 2011 tax statement. He said use of mailing addresses to determine residency is not always conclusive in establishing whether the owner is a nonresident.

Mr. Traynor said from the data gathered it appears 37 percent of commercial property, 16 percent of agricultural property, and 2 percent of residential property is owned by nonresidents. He said for all property, \$126 million or 16.7 percent of the total property taxes in the state is levied against property owned by nonresidents.

At the request of Chairman Hogue, committee counsel presented a bill draft [[13.0016.01000](#)] to provide a market value floor for agricultural property under the valuation formula. He said the valuation formula for agricultural lands is based on productivity of agricultural property. He said the current formula has no component to require consideration of market value of agricultural property. He said the bill draft does not alter the components of the agricultural property valuation formula with the exception of inserting a limitation on the minimum formula-derived valuation of agricultural property, which is a percentage of market value for cropland and noncropland for the county. He said the percentage of market value is left blank in the bill draft because analysis would be required to determine market valuation for each county and for the committee to decide the appropriate percentage of market value to use as a floor for valuation.

Representative Meyer said she understands that the current formula uses annual gross returns, capitalization rates, and other factors to determine agricultural valuations, but market value is not part of the calculations. Committee counsel said that is correct.

Senator Cook said he requested consideration of a market value floor for agricultural property valuation because there is a great disparity among counties on the relationship between formula valuation and market value of agricultural property. He said he believes the Legislative Assembly should ask why this disparity exists. He said his hope is that use of a floor based on a percentage of market value would reduce the disparity between and among counties. He said it may be more appropriate to consider use of market value on a per parcel basis. Committee counsel said Tax Department assistance would be required to address the feasibility of using market valuations.

Committee counsel said he contacted the Tax Department and was informed that sales ratio study data on market value of agricultural property is probably not reliable enough for use in valuing agricultural property. It was suggested that market value statistics might be available from other sources. He said he contacted Dr. Dwight Aakre, Department of Agribusiness and Applied Economics, North Dakota State University, Fargo, who serves as consultant and administrator for the agricultural property valuation formula operations. He said Dr. Aakre said the best available information on agricultural property market values is probably the information compiled by the National Agricultural Statistics Service through its annual survey of farmers and ranchers to obtain average agricultural property rental rates. He said the valuation information obtained is from survey results, so it has subjective components. He said if the National Agricultural Statistics Service survey data is incorporated in the formula for valuing agricultural property for tax purposes, farmers and ranchers would be aware of that fact, and it is likely that their responses to the survey would generate lower estimated valuations. He distributed copies ([Appendix E](#)) of the National Agricultural Statistics Service publication of 2011 county rents and values.

Senator Cook said current information on market value and formula value amounts for each county should be obtained. He said perhaps the disparities are correcting themselves.

At the request of Chairman Hogue, committee counsel presented a bill draft [[13.0015.01000](#)] regarding filing with the Securities Commissioner of information reports of building authorities and other entities that issue bonds to finance buildings under agreement with a political subdivision. He said the bill draft was requested to provide a central source of information on the amount of indebtedness outstanding which was issued by a building authority or other entity in connection with an agreement to construct a building for use by a political subdivision. He said the bill draft provides that upon the issuance

of bonds for a building in connection with an agreement for use of the building by a political subdivision, the building authority or other entity issuing those bonds shall file a report with the Securities Commissioner. He said perhaps the word "upon" should be changed to "before" to assure the filing is completed before the indebtedness is incurred. He said the report must include information, including the amount and nature of the bonds issued and rate of interest, date of issuance, and scheduled date of retirement.

Senator Cook said the bill draft would provide a means of determining outstanding indebtedness, and he believes the bill draft should be expanded to include all indebtedness incurred by, or on behalf of, political subdivisions.

Senator Sorvaag said if reporting is required for all indebtedness, it would be useful to separate the reports on the basis of general obligation debt, special assessment debt, and debt incurred by building authorities or similar entities.

At the request of Chairman Hogue, committee counsel presented a memorandum entitled [Special Assessment Indebtedness, Political Subdivision Liability, and the Special Fund Doctrine](#). He said the memorandum was requested by Senator Cook to address the issue of why the debt limitations of the Constitution of North Dakota do not apply to special assessment indebtedness. He said North Dakota law provides that if special assessment district revenues are insufficient to pay the debt, the governing body of the political subdivision must levy a property tax to pay the deficiency.

Committee counsel reviewed the North Dakota Supreme Court decisions recognizing the "special fund doctrine." He said the special fund doctrine is that indebtedness secured by payments exclusively from revenues to be realized from the property acquired or from assessments on private property benefited by the special improvements is not an "indebtedness" for purposes of the constitutional debt limit. The rationale of the special fund doctrine is that the potential obligation of general taxing authority is merely a "contingent future liability," which is not indebtedness as restricted by the constitution. Under the special fund doctrine, there is no "debt" created until the contingency triggers the future liability. However, he said, when the contingency occurs the obligation does ripen into a debt for constitutional purposes.

Committee counsel distributed copies ([Appendix F](#)) of the Attorney General's Letter Opinion 2011-L-12 that reaches the same conclusion, applying the special fund doctrine in an analysis with regard to housing authority revenue bonds. He said the opinion concludes that the contingent obligation of a city could become a direct obligation if the housing authority becomes unable to make full debt service payments.

Committee counsel said a question was raised during discussion of initiated measure No. 2 to eliminate property taxes, relating to use of special

assessments to defray local government costs. He said the committee inquired about feasibility under existing law of using special assessments as replacement revenue for property taxes. He distributed copies of North Dakota Century Code Section 40-22-01 to committee members. He said this section of law lists the expenses that may be defrayed through special assessments. He said the section allows use of special assessments for water and sewer, municipal streets and streetlights, planting vegetation on boulevards and other public places, flood protection, and parking lots or ramps. He said these are the only purposes for which special assessments are allowed by law to be applied. He said existing law does not allow use of special assessments to defray any of the general costs of local government. He said the Legislative Assembly could extend the local government functions for which special assessment revenue could be used. However, he said, using special assessment revenue to replace property tax revenue would change the basis of tax burden from property value to the amount of benefit conferred to a property parcel.

At the request of Chairman Hogue, committee counsel presented a memorandum entitled [Special Assessment Project Protests in Selected States](#). He said the committee requested information comparing special assessment project protest provisions of law of other states. He said he attempted to obtain a comparison of special assessment project protest laws for all states but found no compilation of those provisions. He said a sampling of statutory protest provisions for special assessments of states in this region of the country was completed and is reflected in the memorandum. He said examining protest provisions leads to the conclusion that states have acted individually to establish protest provisions and that, for the nine states examined, each state has a unique method of allowing property owners to protest or challenge special assessment projects or valuations. He reviewed the provisions for the nine states examined in the memorandum.

Chairman Hogue called on Mr. Jerry Hjelmstad, Assistant Director, North Dakota League of Cities, for presentation of information ([Appendix G](#)) requested by the committee relating to city requirements for property developers regarding upfront costs of special assessment projects.

SALES TAX EXEMPTION STUDIES

Chairman Hogue called on Mr. Myles Vosberg, Director, Income, Sales and Special Taxes Division, Tax Department, for presentation of information requested by the committee. Mr. Vosberg distributed copies ([Appendix H](#)) of information showing calendar year 2010 state sales tax collections and per capita sales tax collections for the 200 largest cities.

Mr. Vosberg said he also was requested to examine laws of states bordering Canada to determine if states allow Canadian residents a sales tax exemption or refund. He said it appears that

states bordering Canada do not allow exemption or refund for Canadian residents with the exception of the state of Washington, which allows a nonresident to claim an exemption if taking goods out of the state of Washington to a jurisdiction with a sales tax of 3 percent or less. He said it appears residents of some Canadian provinces would qualify for the exemption. He said, except for North Dakota, it appears no state or province bordering Montana provides a sales tax exemption for purchases by Montana residents.

Representative Drovdal asked if the Tax Department is able to provide information on the amount of sales tax exemptions claimed by Montana residents for each North Dakota city. Mr. Vosberg said that information is not available. He said that the Tax Department does not receive that information from retailers, who are required to provide only the total amount of nontaxable sales, which would not separately identify purchases by Montana residents.

Chairman Hogue asked if committee members have suggestions for further activity on the sales tax exemption studies. Senator Cook said two bill drafts should be presented for committee consideration--one of which would eliminate refunds for purchases by Canadian residents and the other of which would eliminate the sales tax exemption for purchases by residents of Montana.

Representative Meyer asked Mr. Vosberg if information is available on the cost of the sales tax refund for Canadian residents and the exemption for Montana residents. Mr. Vosberg said the Red Book published by the Tax Department has the most recent estimates of the fiscal effect of these tax breaks.

OIL EXTRACTION TAX STUDY

At the request of Chairman Hogue, committee counsel presented a bill draft [13.0021.01000] to restrict the stripper well tax exemption for certain new wells. He said the bill draft would eliminate the stripper well property exemption for new wells drilled in the Bakken Formation or Three Forks Formation. He said under existing law, a new well drilled within a stripper well property would qualify for the stripper well exemption from the oil extraction tax. He said the stripper well exemption was provided by the Legislative Assembly to recognize an increased risk in drilling in these properties. He said this increased risk factor probably does not exist with current technologies and the high probability of success in the Bakken Formation or Three Forks Formation. He said when infill drilling begins in earnest in the Bakken and Three Forks Formations, current law would provide exemptions for some very productive wells. He said the bill draft provides that a new well drilled and completed in the Bakken Formation or Three Forks Formation after an unspecified date is not exempt until production from that well individually meets the stripper well definition for qualifying production. He said the date is unspecified in the bill draft and must be considered by the committee.

Senator Hogue asked if the bill draft is similar to the amendment presented by Representative Al Carlson to the Senate Finance and Taxation Committee during the 2011 legislative session. Committee counsel said the bill draft is similar to the amendment presented by Representative Carlson in regard to elimination of the stripper well property status for new wells, but Representative Carlson's amendment also provided for gradual reduction of the oil extraction tax rate based on statewide oil production levels and that is not addressed in this bill draft. Senator Hogue said the committee should examine the amendment offered in 2011 by Representative Carlson.

Senator Dotzenrod asked why an exemption is provided for a stripper well property in current law. Committee counsel said the stripper well exemption was created to encourage continued production from low production wells that might otherwise be shut in. Mr. Lynn Helms, Director, Department of Mineral Resources, Industrial Commission, said the extension of the stripper well exemption to a "property" was added to allow a replacement well for a well that was being shut in. He said this extension came in under the windfall profits tax created by Congress in the 1980s.

Senator Cook said the factors that provide the rationale for the stripper well property exemption still exist today. He said it would be advisable for the committee to hold consideration of this issue until later in the year.

Representative Meyer asked Mr. Helms for information on the recent action of the Industrial Commission to create a very large drilling unit at the Little Missouri State Park. She said she wonders if one well in that extremely large unit becomes a stripper well, whether all of the property in that unit would become a stripper well property. She asked if there is anything in the Industrial Commission order for the drilling unit on that question. Mr. Helms said there was nothing in the order regarding stripper well property status. Representative Meyer asked how many wells are projected to be completed in that drilling unit. Mr. Helms said there are 12 wells now, and plans are that up to 85 wells will be drilled in the unit.

Representative Hatlestad said we do not know if another oil-producing formation will be found. He said he would favor eliminating the bill draft language regarding the Bakken and Three Forks Formations.

Representative Streyle said he would like to review a bill draft closer to the approach of the amendments offered by Representative Carlson to include tax rate reductions. He asked if any other committee members would consider that approach.

Chairman Hogue said perhaps it would be worth reviewing the proposal that was offered by Representative Carlson in 2011. He directed committee counsel to include consideration of the 2011 proposed amendment on the next meeting agenda.

Senator Cook said long-term planning is needed in shaping state tax policy. He said tax policy considerations offer opportunities to move the state forward. He said deliberation and careful consideration is necessary, and it would be advisable to delay decisions on these issues until later in the year.

Representative Drovdal said the committee will not be taking final action until later in the year, but in the meantime the committee should continue to explore issues and options.

Chairman Hogue said the next meeting agenda would include a short tour of a business that does tax stamping of cigarettes.

Representative Hanson said a bill draft should be prepared for committee consideration which would impose a requirement for tax stamping for cigarettes.

Chairman Hogue said the next committee meeting would be scheduled for late March.

Senator Cook said the correspondence provided by Ms. Liechty raises some issues that should be considered. He said the committee should delve into this issue regarding authority of the State Board of Equalization, and whether statutory provisions adequately address remedies to require a project operator to live up to promises made in obtaining a property tax exemption. He said a question also was raised about why an assisted living facility license would be granted to a facility that is not providing assisted living services.

Chairman Hogue said the issue of licensing of assisted living facilities would be outside the committee study coverage, but the taxation issues should be explored.

No further business appearing, Chairman Hogue adjourned the meeting at 1:45 p.m.

John Walstad
Code Revisor

ATTACH: 8