

# NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

### TAXATION COMMITTEE

Tuesday, September 11, 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 Larry Bellew, David Drovdal, Glen Froseth, Lyle Hanson, Patrick Hatlestad, Craig Headland, Richard Holman, Jim Kasper, Shirley Meyer, Mike Nathe, Mark S. Owens, Roscoe Streyle

**Members absent:** Representatives Wesley R. Belter, Marvin E. Nelson

**Others present:** Becky Keller, Legislative Council, Bismarck

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

**It was moved by Representative Drovdal, seconded by Senator Burckhard, and carried on a voice vote that the minutes of the August 1, 2012, meeting be approved as distributed.**

### REMEMBRANCE DAY

Chairman Hogue requested Representative Bellew to offer a prayer for Remembrance Day and the events of September 11, 2001.

### PROPERTY TAX STUDY

#### Political Subdivision Indebtedness

Chairman Hogue called on Mr. Scott Wegner, Arntson Stewart Wegner PC, for information ([Appendix B](#)) on political subdivision debt. Mr. Wegner reviewed the kinds of political subdivision debt that is considered debt for purposes of the constitutional debt limit for political subdivisions. He reviewed the other kinds of political subdivision debt listed in his memorandum which is not considered indebtedness for purposes of the constitutional debt limitation.

Mr. Wegner said he was also requested to provide a glossary of some financial terminology regarding constitutional debt, lease debt, limited tax debt, overlapping general obligation debt, and unlimited tax debt. These terms are defined in his testimony.

Mr. Wegner said school districts are limited by statute to approval of a lease of real property for a duration not exceeding one year. He said because of this provision, and that a school district may choose not to renew a lease, there is an additional risk in lease-purchase arrangements with school districts, such as building authority financing. He said there is an added risk to investors, but there is an element of

security to investors because nonrenewal of a lease would forfeit the school district's right under the agreement to obtain ownership of the building at the end of the leasing period.

Senator Hogue said there have been news reports about bond defaults in other states. He asked if defaults on bonds by political subdivisions in other states impact North Dakota bonds. Mr. Wegner said bond defaults in other states have generally not directly affected political subdivisions' bonds in North Dakota. He said the defaults have changed how bond rating agencies look at bond issues and the information that is required to be disclosed to investors.

Senator Cook asked where bond investors obtain information on debt of the issuing political subdivision. Mr. Wegner said the official statement required for a bond issue must show outstanding debt, broken down by types of debt and including a statement of the overlapping debt of taxpayers in the taxing districts.

Senator Cook asked where he would go as a taxpayer to determine the total debt outstanding for his property. Mr. Wegner said all political subdivision bonds must be reported to the Municipal Securities Rulemaking Board (MSRB) and would be available through the Electronic Municipal Market Access (EMMA) reporting site. He said some types of debt, such as bonds sold to the state, are not required to be reported to MSRB so they would not be found on the EMMA site, and for these kinds of debt, information is not easy to obtain. He said with these kinds of debt the information may only be available from the municipality.

Senator Cook asked if any North Dakota political subdivision has ever gone bankrupt. Mr. Wegner said he is not aware of any North Dakota political subdivision that has ever become bankrupt, but Belfield and Gladstone may have had default issues and may have gone through proceedings to work out indebtedness.

Senator Cook said he believes it is very important that bonded debt information of political subdivisions is available to taxpayers.

Representative Nathe said Mr. Wegner's testimony indicates authority for 15 mills of limited tax bond issuance of school districts. He asked if this is the extent of the authority for school district bond issues. Mr. Wegner said this is a specific purpose type of bonding authority for projects, such as asbestos removal, compliance with Americans with Disabilities

Act requirements, heating and air-conditioning systems, and similar projects. He said bond issues for new school buildings would be general obligation bonds that must be approved by voters with a public vote, and this is separate authority from the 15-mill limited tax bond authority.

### Property Tax Relief Bill Drafts

Chairman Hogue called on the Code Revisor to review property tax relief bill drafts under committee consideration.

The Code Revisor said there are two bill drafts that are very similar, both extending the mill levy reduction grant program that the Legislative Assembly has approved in the 2009 and 2011 legislative sessions. He said the first bill draft [\[13.0018.02000\]](#) would extend the program on its existing terms with an increase in funding to about \$403 million, which is attributable to increased value of taxable property in North Dakota. He said the other bill draft [\[13.0018.03000\]](#) is identical with the exception of changes requested by Representative Headland to address concern expressed by school districts with a combined education mill rate of less than 175 mills in 2008. He said these school districts receive a combination of mill levy authority and mill levy reduction grant equal to the combined education mill rate the district had in 2008. He said if that rate was 155 mills, that school district received 55 mills of mill levy reduction grant and is limited to 110 mills of general fund levy authority. He said the bill draft would allow a district in that situation to increase its general fund mill rate above 110 mills by an amount equal to two-thirds of the number of mills determined by using 185 mills and then subtracting 110 mills plus the number of mills of the mill levy reduction grant of the school district. He said the bill draft provides that for the amount of mills exceeding 110 mills levied by a school district under this authority, the state would provide an additional mill levy reduction grant equal to 50 percent of the number of mills over 110. He said this would not place those school districts in the same position they would have been in if their levy was 185 mills in 2008, but this would provide some assistance to these school districts with the perceived inequity of their situation regarding mill levy reduction grants and general fund levy authority.

Senator Cook asked if the appropriation for the bill draft providing enhanced levy authority should be increased. The Code Revisor said the appropriation should be a higher amount than \$403 million, but the bill draft was just developed and there was not enough time to obtain a new cost estimate.

The Code Revisor reviewed a bill draft [\[13.0088.01000\]](#) to provide a residential property tax credit and an enhanced credit for individuals age 65 or older. He said the bill draft provides a credit by which the state would pay the taxes on the first \$75,000 of true and full value on an individual's primary residence. He said the credit is increased to \$125,000 for individuals age 65 or older. He said the

credit would be applied in addition to any homestead credit or disabled veterans credit to which the homeowner is entitled.

The Code Revisor reviewed a bill draft [\[13.0098.01000\]](#) to provide a residential property tax credit for individuals age 65 and older in the amount of \$125,000 of true and full value of the individual's primary residence.

Representative Meyer asked if the property tax exemption for farm homes is eliminated by these bill drafts. The Code Revisor said the bill drafts do not eliminate the farm home property tax exemption and provide a property tax credit for certain farm homes that are not eligible for the farm homes exemption because of ownership by a corporation or other entity.

Senator Cook said the committee has discussed a bill draft that would provide for a residential property credit limited in dollar amount and percentage, which would not reduce the taxable value of property to zero. The Code Revisor said the bill drafts reviewed at this meeting do not incorporate such a provision. He said under the provision mentioned, an exemption of \$80,000 or 80 percent of the residence value is paid by the state. He said this requires that the homeowner will pay tax on at least a portion of the property value, which would be intended to give the homeowner an interest in monitoring the assessment and tax rate against the property.

The Code Revisor reviewed a bill draft [\[13.0059.01000\]](#) to provide allocations to counties for distribution among political subdivisions. He said there is an administrative difficulty with this approach in that the property tax statements must be sent out before the total assessment and mill rate information is available to determine the necessary reduction.

The Code Revisor reviewed a bill draft [\[13.0161.01000\]](#) to provide a state-paid property tax relief credit for residential, agricultural, or commercial property. He said the bill draft contains blanks for the percentage reduction in property taxes for property types and was patterned after 2007 House Bill No. 1051. He said the bill draft contains a blank for the amount of appropriation required. He said the bill draft was developed for committee consideration, and fiscal information was not provided for determination of the percentage property tax reduction and the cost to the state of providing the funding for the reductions.

Representative Holman said the bill draft was prepared at his request and provides for providing information on the tax statement for taxpayers to identify the state-paid property tax relief credit and the amount of the credit. He said despite the fact the state has provided mill levy reduction grant funding to reduce property taxes, taxpayers seem to be unaware that this assistance is being provided by the state. He said he often hears comments that the state is not providing property tax reduction. He said identifying property tax relief credits on tax statements would inform property owners of the assistance the Legislative Assembly is providing.

Representative Holman said his concept for this tax relief approach is to treat all property equally. He said mill levy reduction grants are provided in varying amounts among school districts. He said this approach seems simpler to administer and understand for the state and the taxpayers.

Chairman Hogue asked the committee's wishes on the property tax relief bill drafts.

Senator Cook said the mill levy reduction grant program has been used for providing property tax relief since 2009. He said he believes the approach should be recommended for consideration so the program may be extended. He said there are some sections in the bill draft that should be removed because they do not change existing law.

**It was moved by Senator Cook, seconded by Representative Nathe, and carried on a roll call vote that the bill draft [13.0018.02000] be amended by removing Sections 2, 3, and 5, and that the bill draft as amended be approved and recommended to the Legislative Management.** Senators Hogue, Burckhard, Cook, Dotzenrod, Laffen, Oehlke, and Sorvaag and Representatives Bellew, Drovdal, Froseth, Hanson, Hatlestad, Headland, Holman, Kasper, Meyer, Nathe, Owens, and Streyle voted "aye." No negative votes were cast.

In discussion of the motion, Senator Cook said the bill draft would continue the current method of property tax relief which has worked, and the Governor appears to support extension of this method with additional funding.

In discussion of the motion, Representative Meyer asked if options could be considered on the bill drafts for consideration at the next committee meeting. Chairman Hogue said anything feasible could be considered, but at the August meeting he requested committee members to submit any plans for bill drafts or changes. He said he would schedule another committee meeting if it appears necessary but if the committee is able to complete its actions at this meeting, there may not be another meeting. He said the committee can recommend more than one bill draft to address an issue.

Representative Headland said there have been several school districts that have expressed disappointment for several years about the way the mill levy reduction grant program was established and locked in the combined state and local funding for a school district at the 2008 level. He said he believes the bill draft that would allow extended mill levy authority and a partial match with state funding would address the concerns of these districts and should be considered.

**It was moved by Representative Headland, seconded by Representative Kasper, and carried on a roll call vote that the bill draft [13.0018.03000] be amended by removing Section 5 and that the bill draft as amended be approved and recommended to the Legislative Management.** Senators Hogue, Dotzenrod, Laffen, and Sorvaag and Representatives Drovdal, Froseth, Hanson, Hatlestad,

Headland, Holman, Kasper, Meyer, Nathe, Owens, and Streyle voted "aye." Senators Burckhard, Cook, and Oehlke and Representative Bellew voted "nay."

In discussion of the motion, Senator Cook asked if there is an estimated cost of the bill draft with the changes. The Code Revisor said a fiscal note and analysis was not obtained because the amendment approach was developed shortly before this meeting.

Representative Drovdal said this bill draft has a complicated approach but may provide an important option for some school districts. He said he would support moving the bill draft forward for further consideration of inequities that may exist for some school districts.

Senator Hogue said the mill levy reduction grant program affects each school district differently. He said that is a weakness of the property tax relief approach of that program. He said he does not see a problem with the committee sending this option on for consideration by the Legislative Assembly.

Representative Froseth said he would like to see this option move forward for legislative consideration, but he is not sure we understand it thoroughly enough. He said more analysis would be useful, but it is a topic for legislative consideration.

Representative Nathe asked how many school districts would be affected by the change. Mr. Jerry Coleman, Department of Public Instruction, said there are perhaps about 60 school districts in the situation described. He said he cannot estimate how many would need to increase their mill rates above 110 mills.

Representative Hatlestad said tax relief targeted to residential property should be considered by the Legislative Assembly.

**It was moved by Representative Hatlestad, seconded by Representative Owens, and carried on a roll call vote that the bill draft [13.0088.01000] to provide residential property tax relief be approved and recommended to the Legislative Management.** Senators Hogue, Burckhard, Laffen, and Sorvaag and Representatives Bellew, Froseth, Hanson, Hatlestad, Holman, and Meyer, voted "aye." Senators Cook, Dotzenrod, and Oehlke, and Representatives Drovdal, Headland, Kasper, Nathe, Owens, and Streyle voted "nay."

In discussion of the bill draft, Representative Bellew said eliminating the requirement of an annual claim for the exemption should be considered. The Code Revisor said he believes that could be accomplished by removing the phrase on line 15 of page 2 ", by March first of the year for which a reduction is claimed," and by removing the phrase on lines 16 and 17 of page 2 "as of February first of that year" and inserting a sentence following the period on line 17 of page 2 stating that "The assessor may require the owner to complete and file a verified statement of eligibility to renew the reduction under this section for a subsequent year." He said additional changes on page 3 of the bill draft would be on line 3 replace "terminates at the end of the" with "is renewed

for" and replace "year" with "years after the initial year" and on line 4 to insert after the word "approved" the words "unless the reduction is terminated by the assessor on grounds of ineligibility of the property owner". He said on page 3, line 5, after the word "approved" the words "or renewed" should be added. He said on page 3, line 7, after the word "received" the words "or allowed renewal of" should be inserted.

**It was moved by Representative Hatlestad and seconded by Representative Owens that the motion be amended to include the suggested changes.**

Representative Headland said he could not support property tax relief that omits commercial and agricultural property.

Senator Cook said under the bill draft, the valuation reduction can zero out the tax liability of the property owner if the value is \$75,000 or less. This would give local assessment and taxing officials an incentive to increase valuations to \$75,000 because the taxpayer would not care if the value was at that level because there would be no tax liability for the owner. Senator Hogue said the question would be if local government would "game the system" which, in some instances, might be possible.

Senator Cook said he supports relief for homeowners but is reluctant to do so if the bill draft is not fully developed. He said he believes a flat amount buydown of valuation is not the appropriate way to go because the homeowner would have no "skin in the game" to monitor tax rates and assessed values for the homeowner's property.

The question was called and **the motion carried on a roll call vote.** Senators Hogue, Burckhard, Laffen, and Sorvaag and Representatives Bellew, Froseth, Hanson, Hatlestad, Holman, and Meyer voted "aye." Senators Cook, Dotzenrod, and Oehlke and Representatives Drovdal, Headland, Kasper, Nathe, Owens, and Streyle voted "nay."

Representative Holman said the bill draft to provide a percentage reduction in property taxes contains blanks for the percentage and appropriation amounts. He said he believes if the existing mill levy reduction grant program is left in place, the bill draft could be enacted and provide 10 percent property tax reductions at a biennium cost of about \$200 million.

**It was moved by Representative Holman, seconded by Representative Meyer, and carried on a roll call vote that the bill draft [13.0161.01000] to provide a percentage property tax relief credit be amended to provide a 10 percent tax reduction and an appropriation of \$200 million to fund the relief and that the bill draft as amended be approved and recommended to the Legislative Management.** Senators Hogue, Burckhard, Dotzenrod, Laffen, Oehlke, and Sorvaag and Representatives Bellew, Hanson, Hatlestad, Holman, Kasper, Meyer, and Nathe voted "aye." Senator Cook and Representatives Drovdal, Froseth, Headland, Owens, and Streyle voted "nay."

Chairman Hogue asked if committee members have any more comments, suggestions, or motions on property tax relief issues. Representative Kasper said the committee has had a good discussion of several points relating to delivery of property tax relief. He said obviously more consideration will be given to these issues in the next several months, and legislation will be developed by individual legislators for consideration.

### Property Tax Reform Bill Drafts

Chairman Hogue called on the Code Revisor for presentation of information on property tax reform issues. The Code Revisor said a revised version of a bill draft [13.0107.02000] has been prepared to synchronize taxable years for mobile homes and real property. He said the bill draft was requested to address issues concerning enforcement of mobile home taxes in the same manner as property taxes and changes have been made to the bill draft for that purpose. He said the effective date of the bill draft should perhaps be changed to the 2013 taxable year. He said the bill draft eliminates the state payment of mobile home taxes for 2014. He said in the current system, mobile home taxes will be paid in January 2013. He said under the bill draft, property taxes would be payable on the mobile home by April 2014 and again by April 2015. He said the funding by the state for 2014 was eliminated because mobile home owners will still be subject to only one tax payment per year. He said the effective date may require additional consideration and asked if he could make a recommendation to the committee regarding the effective date after the luncheon recess.

The Code Revisor reviewed a bill draft [13.0015.02000] to require filing of information on political subdivision indebtedness. He said the bill draft contains blanks for the central filing point for the debt information. He said at the previous committee meeting, information was provided regarding the extensive amount of information available on the Internet from sources, such as EMMA.

Senator Cook said he does not see how the committee can move the bill draft forward. He said he is still concerned that political subdivision debt information is not readily available to taxpayers. He said individual legislators may pick up this issue for introduction of legislation in 2013.

The Code Revisor reviewed a bill draft [13.0052.01000] to allow a political subdivision to revoke a property tax exemption previously granted. He said the bill draft has not been altered since it was reviewed previously by the committee. He said the bill draft was prepared after the Jamestown city attorney provided information that he advised the Jamestown City Commission that it did not have statutory authority to revoke an exemption granted for a new or expanding business under North Dakota Century Code Chapter 40-57.1. He said the bill draft allows the governing body of a city or county to withdraw a property tax exemption or option to make payments

in lieu of taxes that was previously granted if one of four conditions exists. He said the conditions include information provided by the project operator has been proven to be inaccurate or untrue, use of the property does not comply with the reasonable expectations of the governing body at the time the exemption or the option to make payments in lieu of taxes was approved, the property has been improved to a substantially greater extent than the governing body reasonably anticipated, or there has been a change of ownership.

Senator Hogue said the expectation would be that the governing body would enter a written agreement with a project operator. He said it would not be necessary to have a statutory provision if the agreement would allow the exemption to be removed if the agreement is not met. He said in the event that a written agreement is not in place, these statutory provisions would allow a governing body to revoke or reduce an exemption if a good reason exists to do so.

In response to a committee question, the Code Revisor said the provision about taking an exemption if property was improved to a substantially greater extent than the governing body reasonably anticipated was incorporated to make clear that if a governing body approves an exemption for a hot dog stand, that exemption would not extend to a substantially larger and more valuable project that the governing body did not anticipate.

**It was moved by Representative Headland, seconded by Representative Streyle, and carried on a roll call vote that the bill draft [13.0052.01000] allowing a governing body of a city or county to revoke or reduce a property tax exemption be approved and recommended to the Legislative Management.** Senators Hogue, Burckhard, Cook, Dotzenrod, Laffen, Oehlke, and Sorvaag and Representatives Drovdal, Froseth, Hanson, Hatlestad, Headland, Holman, Kasper, Nathe, Owens, and Streyle voted "aye." Representatives Bellew and Meyer voted "nay."

The Code Revisor reviewed a bill draft [13.0173.01000] to allow appeals of city or county property tax exemptions for new or expanding business property. He said the bill draft allows a taxpayer who owns property subject to taxes within the city or county to appeal to the State Board of Equalization the decision of the governing body of that city or county to grant a property tax exemption or option to make payments in lieu of taxes for new or expanding business property. He said the bill draft would allow the State Board of Equalization to order a city or county to withdraw or reduce the benefit after an appeal only if the governing body or the applicant has not complied with statutory requirements regarding the benefit granted or the governing body decision to grant the exemption or the option to make payments in lieu of taxes was arbitrary and capricious. He said, in legal terms, arbitrary and capricious means there is no conceivable factual circumstance

upon which the exemption could have reasonably been granted.

Representative Kasper said a property owner is affected by an exemption granted to another property. He said this bill draft goes into property ownership rights and picking winners and losers. He said the Legislative Assembly has to think about giving property owners a chance to appeal grants of exemptions, and he would support the bill draft.

**It was moved by Representative Kasper and seconded by Representative Nathe that the committee approve and recommend to the Legislative Management the bill draft [13.0173.01000] to allow appeals of new business property tax exemptions or payments in lieu of taxes.**

In discussion of the motion, Senator Laffen said he would be concerned that this law could result in too many appeals to the State Board of Equalization and impair the board's ability to fulfill its other duties.

Senator Hogue said he shares the concern that there could be an excessive additional workload for the State Board of Equalization. He said this law could result in an appeal for every property tax exemption granted by a city or county.

Representative Kasper said the bill draft provides that the State Board of Equalization "may hear" an appeal, which indicates discretion for the board in deciding whether an appeal merits a hearing. He said this should help protect against excessive work on appeals for the State Board of Equalization.

Representative Drovdal said he thinks it is appropriate that individuals may appear and oppose granting an exemption before the governing body of the city or county. He said to allow just one person to appeal a city or county decision to the State Board of Equalization seems like too much opportunity for excessive appeals.

Representative Headland said he requested the bill draft, but he would not support a right to appeal these decisions for every taxpayer.

The question was called and **the motion failed on a roll call vote.** Senators Hogue, Burckhard, Cook, Dotzenrod, Laffen, Oehlke, and Sorvaag and Representatives Bellew, Drovdal, Froseth, Hanson, Hatlestad, Headland, Holman, Kasper, Meyer, Nathe, Owens, and Streyle voted "nay." No votes were cast in favor of the motion.

The Code Revisor reviewed a bill draft [13.0081.02000] to eliminate discretionary property tax exemptions. He said the bill draft was revised since the previous committee meeting at the request of Representative Streyle. He said the previous version provided for elimination of exemptions for new and expanding businesses, homes still owned by the builder, and early childhood facilities, and these repeals have been removed from this bill draft. He said the revised bill draft would eliminate exemptions for tax increment financing, renaissance zones, \$150,000 of valuation of new residential single-family or townhouse and condominium property, pollution

abatement improvements, and property improvements.

**It was moved by Representative Streyle and seconded by Representative Headland that the bill draft [13.0081.02000] to eliminate discretionary property tax exemptions granted by cities or counties be approved and recommended to the Legislative Management.**

In discussion of the motion, Representative Drovdal said there have been occasions legislators have heard complaints from some taxpayers that exemptions are granted improperly. He said that is cause for concern but taking away local option to grant property tax exemptions for economic development is more extreme than he would support.

Representative Streyle said he does not believe there is a need for property tax exemptions to encourage construction of new homes or new business projects in the current economy. He said providing an exemption to certain property is inherently unfair to other taxpayers. He said exemptions for property improvements are unnecessary. He said property improvements are the choice of the owner and provide no significant benefit to others.

Representative Meyer said she would oppose elimination of these discretionary property tax exemptions. She said eliminating these exemptions would take away local government authority. She said she believes these exemptions have been used appropriately to benefit many communities.

Representative Kasper said in Fargo there has been a vast improvement in downtown Fargo from use of renaissance zone exemptions. He said now property tax revenue is flowing in from improved property, and the benefit is received by all taxpayers. He said the exemptions are an issue of local control and a tool that may be used if local government wants to use these exemptions.

Senator Hogue said he believes the bill draft to eliminate so many discretionary exemptions cuts too broadly. He said there is room for examination of policy on some of these exemptions but to eliminate all of these exemptions is too much restriction. He said these exemptions have been used to provide assistance when the local economy struggles.

Senator Cook said he believes there have been examples of abuse on granting of property tax exemptions. He said there will probably be legislation introduced to address such concerns. He said the bill draft under consideration is too broad in coverage, but locally granted property tax exemptions will be an important issue of legislative consideration.

The question was called and **the motion failed on a roll call vote.** Representative Streyle voted "aye." Senators Hogue, Burckhard, Cook, Dotzenrod, Laffen, Oehlke, and Sorvaag and Representatives Bellew, Drovdal, Froseth, Hanson, Hatlestad, Headland, Holman, Kasper, Meyer, Nathe, and Owens voted "nay."

Chairman Hogue asked if committee members have any comments or motions regarding the bill draft [13.0113.02000] to eliminate job development authorities. No comments or motions were made by committee members.

Chairman Hogue called on Ms. Marcy Dickerson, State Supervisor of Assessments and Property Tax Division Director, Tax Department, for testimony ([Appendix C](#)) on constitutional and statutory provisions providing property tax exemption for the property of religious and charitable organizations.

Chairman Hogue asked if committee members have any comments or motions relating to the draft for a constitutional amendment to allow imposition of fees for police, fire, and ambulance services for exempt properties. No comments or motions were made.

Chairman Hogue redirected the committee's attention to the bill draft [13.0107.02000] to synchronize taxable years for mobile homes and real property. The Code Revisor said the bill draft has been revised after the previous committee meeting to provide that delinquent mobile home taxes would be enforced under the provisions of law that apply to real property. He said this change was intended to reduce the burden on the county sheriff's department for collecting delinquent mobile home taxes. He said the bill draft is revised to require a moving permit for a mobile home. He said the bill draft is revised to eliminate payment by the state of mobile home taxes in 2014. He said he would suggest additional amendments that on page 7, line 4, the word "A" be replaced with "An application for a" and on page 7, line 6, the word "include" be replaced by the words "be accompanied by". He said the new language would reflect that it is the application for the moving permit, rather than the permit itself, that must be accompanied by a statement that taxes have been paid before the moving permit is issued. He said he would suggest that on page 7, line 13, the year "2013" be replaced with "2012, for taxable year 2013 property taxes. However, mobile home taxes due in 2013 are payable as transitional tax payments according to the provisions of law effective on December 31, 2012". He said this would make clear that mobile home owners would make one tax payment in 2013, one tax payment in 2014, and one tax payment in 2015 and each year thereafter. He said the mobile home tax payment in 2013 would be referred to as a transitional tax payment.

**It was moved by Representative Meyer, seconded by Representative Froseth, and carried on a roll call vote that the committee amend the bill draft [13.0107.02000] to synchronize mobile home tax years be amended as described by the Code Revisor and that the bill draft as amended be adopted and recommended to the Legislative Management.** Senator Dotzenrod and Representatives Drovdal, Froseth, Hanson, Hatlestad, Headland, Holman, Meyer, Owens, and Streyle voted "aye." Senators Hogue, Burckhard, Cook, Laffen,

Oehlke, and Sorvaag and Representatives Bellew, Kasper, and Nathe voted "nay."

Chairman Hogue called on Ms. Andrea Holl Pfennig, Division of Community Services, Department of Commerce, for presentation of information ([Appendix D](#)) contained in a report for the renaissance zone program.

Representative Kasper said he would like to be able to review statistical information on renaissance zone property value before and after the renaissance zone project as well as information on property taxes paid by property owners within the zone before and after the project and other information. Ms. Pfennig said that kind of information is not in the information that has been collected and would require contacts with cities. She said the Division of Community Services could undertake trying to obtain that information.

### OIL AND GAS TAXES

Chairman Hogue called on Ms. Becky Keller, Senior Fiscal Analyst, Legislative Council, for presentation of a memorandum entitled [2011-13 Oil and Gas Tax Revenue Allocation Flowchart](#). Ms. Keller also distributed to committee members copies of a memorandum entitled [2011-13 Oil Tax Revenue Allocations](#). She reviewed the information in the memorandums.

### SALES TAX EXEMPTIONS STUDY

Chairman Hogue called on the Code Revisor for a review of bill drafts to eliminate the sales tax exemption for purchases by residents of Montana [\[13.0048.01000\]](#) and to eliminate the sales tax refund for Canadian residents [\[13.0049.01000\]](#).

Representative Froseth said he would not object to eliminating the refund for Canadian residents. He said the substantial deficit in the exchange rate that existed in the past for Canadian dollars was the prime reason the refund provision was created. He said the exchange rate for Canadian and United States dollars is about at par now, so much of the reason for the refund has been eliminated.

Senator Sorvaag said in eastern North Dakota, retailers favor retaining the sales tax refund for Canadian residents and receive a substantial level of traffic from Canadian shoppers. He said he would oppose both bill drafts because Canadian and Montana residents contribute to the retail sales in North Dakota to a substantial degree.

**It was moved by Representative Streyle and seconded by Representative Froseth that the committee adopt and recommend to the Legislative Management the bill draft [\[13.0049.01000\]](#) to eliminate the sales tax refund for Canadian residents.**

In discussion of the motion, Representative Kasper said for tourism and retail traffic in North Dakota it would be bad publicity to discourage Canadian

tourists and shoppers. He said he would oppose the adoption of the bill draft.

The question was called and **the motion failed on a roll call vote**. Representatives Froseth, Hanson, and Streyle voted "aye." Senators Hogue, Burckhard, Cook, Dotzenrod, Laffen, Oehlke, and Sorvaag and Representatives Bellew, Drovdal, Hatlestad, Headland, Holman, Kasper, Meyer, Nathe, and Owens voted "nay."

**It was moved by Representative Streyle and seconded by Representative Cook that the committee adopt and recommend to the Legislative Management the bill draft [\[13.0048.01000\]](#) to eliminate the sales tax exemption for Montana residents.**

In discussion of the motion, Representative Hatlestad said businesses in his area adamantly oppose the proposed change. He said friends and acquaintances from Montana have told him they would be very unhappy with North Dakota if the exemption were eliminated at this time after they have supported North Dakota retailers for many years.

Representative Drovdal said this exemption is not for residents of Montana but is for western North Dakota retailers. He said retailers in western North Dakota need to retain this exemption to continue to operate in an equal tax environment for retail sales to residents of Montana.

Representative Owens said this is not a refund provision but an exemption at retail. He said there have been reports of improper use of exemptions. He said there are some considerations with this exemption that do not exist with refunds for Canadian residents.

Representative Drovdal said there may be issues with use taxes enforcement, but those issues can be addressed administratively and are not a sufficient reason to eliminate the exemption.

Senator Cook said there have been reporting and enforcement issues and a rapidly growing level of retail activity in western North Dakota. He said he would support the bill draft to allow continued discussion of this topic during the legislative session.

Representative Streyle said he is aware of college students who have come to North Dakota from Montana and are claiming a sales tax exemption on all the purchases they make. He said he does not believe it is appropriate for Montana residents to enjoy the use of a sales tax exemption for all purchases in North Dakota.

Representative Kasper said his hope is that the Legislative Assembly would not increase a tax for anyone. He said he believes North Dakota policy should be not to discourage residents of Montana from shopping here.

The question was called and **the motion failed on a roll call vote**. Senators Cook and Laffen and Representatives Hanson and Streyle voted "aye." Senators Hogue, Burckhard, Dotzenrod, Oehlke, and Sorvaag and Representatives Bellew, Drovdal,

Froseth, Hatlestad, Headland, Holman, Kasper, Meyer, Nathe, and Owens voted "nay."

### COMMITTEE DISCUSSION

Chairman Hogue asked committee members if they believe another committee meeting is necessary this interim.

Representative Streyle said he would have liked to see the committee make a recommendation for an oil tax reduction, but he does not believe another committee meeting is necessary if that is the only topic to be considered.

Senator Cook said he believes the committee has done a thorough study of the significant tax topics and studies assigned to the committee. He said the committee has gathered a lot of information and viewpoints and has developed legislation to initiate discussion of important issues during the legislative session.

**It was moved by Representative Drovdal, seconded by Representative Bellew, and carried**

**on a roll call vote that the Chairman and the staff of the Legislative Council be requested to prepare a report and the bill drafts recommended by the committee and to present the report and recommended bill drafts to the Legislative Management and that the committee be adjourned sine die.** Senators Hogue, Burckhard, Cook, Dotzenrod, Laffen, Oehlke, and Sorvaag and Representatives Bellew, Drovdal, Froseth, Hanson, Hatlestad, Headland, Holman, Kasper, Meyer, Nathe, Owens, and Streyle voted "aye." No negative votes were cast.

No further business appearing, Chairman Hogue adjourned the meeting sine die at 2:20 p.m.

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John Walstad  
Code Revisor

ATTACH:4