

1999 SENATE FINANCE AND TAXATION

SB 2053

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2053

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/12/99

Tape Number	Side A	Side B	Meter #
1	X		0- 4260
Committee Clerk Signature <i>Sheila Wald</i>			

Minutes:

Senator Urlacher opened the meeting. Roll call was taken, all were present.

Senator Urlacher called the hearing on SB 2053 to order.

John Walstad from the Legislative Council introduced the bill. His testimony is enclosed.

Senator Urlacher asked for any questions.

Senator Christmann: What were some of the high end cap. rates back in the high interest years when this formula was first started, how high above eleven did it get?

Mr. Walstad: It was at 11.4 in '93 and '94. By '97 it was down to 10.4. In most recent calculation it was down to 10.14. If current trend continues it should dip very close or below 10% in the next calculation.

Senator Stenehjelm: Is the formula used to calculate the county taxes?

Mr. Walstad: No, but it makes up a significant part of county tax fazes because it determines for each county what the average agricultural value per acre is going to be and that county average is passed among the properties in the district by local assessors.

Senator Stenehjem: How does this figure in with things such as city lots?

Mr. Walstad: This would affect only the value of agriculture property, but it affects the tax bill perhaps on all property in the county. The reason for that is they levy X dollars in the taxing district and that is allocated among properties based on their value.

Senator Urlacher: This would be a gradual shift over that 10 year period right?

Mr. Walstad: It generally would be.

Senator Urlacher: Any further questions?

Arlo Schmidt came forth to bring everyone up to date on the bill. Stated that farmers are good taxpayers and they do not want to shift taxes away from agriculture property to homes in town. Asked that no action be taken on the bill as many farmers could not be at the hearing because of the weather. Asked that everyone keep in mind that capitalization rate is simply interest rate. The lower that goes the higher valuation goes. County Commissioners use this money. Since '96 to today farm income has dropped 90%. This bill is the tool that will stabilize the capitalization. The largest influence in rising taxes on agricultural land is the capitalization rate. Testimony from those who could not be there is enclosed.

Senator Urlacher: In order to not shift over to residential area they will actually be taken over by local government entities who balance the shift on that level.

Arlo Schmidt: This is a concern of all of us. They're paying plenty. The immediate problem today is with the prices the farmers are receiving, we cannot ask them to be increasing their taxes year after year.

Senator Thompson: I do want to stand in favor of SB 2053. I think the biggest thing this bill does is give stability for the local elected officials. Any time the legislature can save dollars or put dollars into agriculture it is a good investment for main street business in North Dakota.

Mark Sitz: My name is Mark Sitz lobbyist for the North Dakota Farmers Union. Representing an organization with lots of ag interest we stand in favor of the bill. We view this as another step to alleviate a problem out in the country side.

Senator Christmann: Do you expect that when things turn around and the interest rate starts creeping up to 11% and it would be beneficial to have the top end of this cap off that you will be in wanting us to release?

Mark Sitz: I would certainly make ourselves available to the discussion.

Barry Cox: My name is Barry Cox, I am the commissioner from Benson County. Testimony enclosed.

Senator Wardner: Do you consider this kind of an equalization bill between non-ag and ag?

Barry Cox: Yes basically.

Senator Wardner: Do you agree that when it comes to property taxes between the state and the local political subs that there is kind of a partnership?

Barry Cox: Yes.

Arvid Winkler: My name is Arvid Winkler, I am a farmer in Barnes County and also a township assessor since 1977. (Testimony enclosed.)

Nancy Sand: My name is Nancy Sand and I am with the North Dakota Education Association. I believe that something needs to be done not only for the farming situation but for education as well.

Senator Stenejhem: As I look at the fiscal note attached there may be some tax shift in here from rural property to urban property, I would like to get a handle on what the best definite is on what affect that shift is going to have.

Senator Wardner: Every county is going to be different. It depends on how many small towns you have in each district. That would be a hard thing to find.

Senator Urlacher: It also depends on local government. Would it be possible to recognize that concern?

Barry Cox: It is possible to do but it has to be done on a county to county basis. This bill would result in the 1999 target value being reduced because the cap rate right now is 9.77%. The effect of this bill on the political subdivision has no effect on how much revenue it raises.

Senator Urlacher: Is there anything in the preparation where you have picked out certain counties?

Barry Cox: Not for this bill but for the bill that relates to the input cost.

Senator Kinnoin: School districts would be able to float, I don't understand that.

Barry Hasti: My name is Barry Hasti, State Supervisor of Attestment, I take no position on the bill I am here to help the committee understand it. The current law for school district property tax levy states that they may increase 18% per year until they reach \$185M. but there is another provision that says that every political subdivision can levy as much as they did in the highest in the past three years.

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Senate Finance and Taxation Committee

Bill/Resolution Number (Untitled)

Hearing Date 1/12/99

Senator Wardner: Could we pick 10 counties at random and get an idea of the shift?

Barry Hasti: The 53 county study I did for that other bill would be appropriate for this one too.

Senator Ulacher closed the hearing on SB 2053.

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2053

Senate Finance and Taxation Committee

Conference Committee

Hearing Date DISCUSSION 1-26-99

Tape Number	Side A	Side B	Meter #
2,053		X	0-1309
Committee Clerk Signature			

Minutes:

01-26-99 MOTION WAS MADE BY SEN WARDNER TO DO NOT PASS AND SECONDED BY SEN CHRISTMANN. CARRIED BY SEN. WARDNER. VOTE 6 Y - 1 N - 0 ABSENT.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2053

Amendment to: _____

Requested by Legislative Council

Date of Request: 12-10-98

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

Narrative: SB 2053, if enacted, will incorporate changes in cost of production in the valuation of agricultural property resulting in a reduction of the taxable value of agricultural land for the immediate future.

While SB 2053 will decrease the value of taxable property of counties, cities, and school districts, it does not require a decrease in property taxes. Any change in property tax revenue will be the result of county, city, or school district decisions as to the level at which government services will be funded, and not as a result of the passage of SB 2053. This bill alone causes no fiscal effect to the counties, cities, or school districts. There will be an indeterminable decrease in the property tax revenue for the one-mill state medical center levy.

2. **State fiscal effect in dollar amounts:**

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	0	0	0	<\$5,000	0	<\$5,000
Expenditures	0	0	0	0	0	0

3. What, if any, is the effect of this measure on the budget for your agency or department:

- a. For rest of 1997-99 biennium: 0
 (Indicate the portion of this amount included in the 1999-2001 executive budget:)
- b. For the 1999-2001 biennium: 0
 (Indicate the portion of this amount included in the 1999-2001 executive budget:)
- c. For the 2001-03 biennium: 0

4. **County, city, and school district fiscal effect in dollar amounts:**

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
0	0	0	0	0	0	0	0	0

If additional space is needed
attach a supplemental sheet.

Signed: Kathryn L. Strombeck

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: 1-5-99

Phone Number: 328-3402

Date: 1-25-99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2053

Senate Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Wardner Seconded By Christmann

Senators	Yes	No	Senators	Yes	No
SENATOR URLACHER	✓				
SENATOR CHRISTMANN	✓				
SENATOR SCHOBINGER	✓				
SENATOR STENEHJEM		✓			
SENATOR WARDNER	✓				
SENATOR KINNOIN	✓				
SENATOR KROEPLIN	✓				

Total (Yes) 6 No 1

Absent 0

Floor Assignment Sen Wardner

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

REPORT OF STANDING COMMITTEE (410)
January 26, 1999 7:33 a.m.

Module No: SR-16-1159
Carrier: Wardner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2053: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2053 was placed on the Eleventh order on the calendar.

1999 TESTIMONY

SB 2053

2053 John Walstad

\$23,117 among the regions. Areas with lower per capita income generally coincide with areas where heavy reliance for property tax revenues is placed on agricultural property. This creates concern that the impact of property taxes is felt more keenly in some areas of the state, particularly where agricultural income has been below par.

Most concerns expressed to the committee about the need for property tax relief related to agricultural property. Because these issues led the committee into examination of the agricultural property valuation formula and classification and assessment of inundated agricultural property, the committee requested and received authority from the Legislative Council chairman to conduct a separate study of assessment and taxation of agricultural property and inundated lands. The results and recommendation of that study are described under **Agricultural Property Assessment Study** in this report.

As property valuations and property taxes continue to increase, concerns were raised about the impact on persons 65 years of age or older with limited income. Such people are eligible for the homestead credit to relieve some of the impact of property taxes. The homestead credit is limited based on income, and committee members were concerned that these income limitations must keep pace with inflation so the benefit of the credit is not lost to those it was intended to help.

Recommendation

The committee recommends House Bill No. 1052 to increase income limits for eligibility for the homestead credit by \$500 in each income category. The credit is based on five income categories, with the maximum benefit available to a person whose annual income is \$7,500 or less and no benefit to a person whose income exceeds \$13,500. The bill would raise the maximum annual income to qualify for the exemption from \$13,500 to \$14,000. Committee members said state law must preserve the benefit of the homestead property tax credit for persons 65 years of age or older with fixed or limited income. If those individuals receive a modest cost of living increase in income but lose the homestead credit as a result, the net effect would impose a hardship. Because the state reimburses political subdivisions for the cost of the homestead credit, the bill is anticipated to have a fiscal impact to the state, and it is estimated that the increased cost will be less than \$200,000 per biennium.

AGRICULTURAL PROPERTY ASSESSMENT STUDY

Background

True and full value of agricultural property for property tax purposes is based on productivity, as established through computation of the capitalized average annual gross return of the land made by the North

Dakota State University Department of Agricultural Economics. Annual gross return for rented land is determined from crop share or cash rent information and for other land is 30 percent of annual gross income for cropland used for growing crops other than sugar beets or potatoes, 20 percent of annual gross income for cropland used for growing sugar beets or potatoes, and 25 percent of gross income potential based on animal unit carrying capacity of the land for land used for grazing animals. Average annual gross return for each county is determined by using annual gross returns for the county for recent years, discarding the highest and lowest annual gross returns from those years, and averaging the returns for the remaining years. Passage of House Bill No. 1069 (1997) extended the number of years of production data used in the agricultural property valuation formula from six years to 10 years. The bill makes this change in increments by use of seven years' data in 1997, eight years' data in 1998, nine years' data in 1999, and 10 years' data after 1999. Average annual gross return is then capitalized using a 10-year average of the most recent 12-year period for the gross Farm Credit Services mortgage rate of interest. An average agricultural value per acre is established for cropland and noncropland on a statewide and countywide basis. This information is provided to the Tax Commissioner by December 1 of each year and then provided by the Tax Commissioner to each county director of tax equalization. The county director of tax equalization provides each assessor with an estimate of the average agricultural value of agricultural lands within the assessor's district. The assessor determines the value of each assessment parcel within that district. Within each county and assessment district, the average of values assigned must approximate the averages determined under the formula for the county or assigned to the district by the county director of tax equalization. In determining relative values, local assessment officials are to use soil type and soil classification data whenever possible.

Committee Considerations

Recent increases in agricultural property valuations in the state generated many complaints to legislators. Many farmers in the state are frustrated because a time of poor production and low commodity prices has been accompanied by increased agricultural property valuations and property tax burdens.

In 1996 average assessed value of agricultural land increased more than nine percent statewide. This substantial jump in values resulted because of the years used in the formula. For 1996 assessments, the 1988 drought year was replaced by 1994 good production year statistics. In addition, the capitalization rate has been declining steadily, which produces higher valuations. Passage of 1997 House Bill No. 1069 eased the effect of these factors by including an additional year of

production data to computation of agricultural property valuations, resulting in a decrease of almost 3.5 percent in 1997 average agricultural values per acre statewide compared to what would have been determined under the formula before the 1997 amendment. As additional years of data are added to the formula, the formula should generate more stable property valuations.

The committee reviewed detailed data on calculation of county average agricultural values per acre for several individual counties, including counties in the Devils Lake Basin experiencing difficulties because of inundation of agricultural property. The formula reflects the fact that land has been flooded because reported cropland acreage under the formula has diminished. However, nonproducing cropland is ignored in the formula and the average agricultural value per acre for the county is determined only on the basis of statistics for producing acreage. This artificially inflates the average agricultural value per acre for the county because the valuations for all agricultural property in the county must approximate the county average valuation as determined under the formula, and inundated land must be assessed as agricultural property. If the county assigns lower values to inundated lands, values of other agricultural property must be inflated to allow the average for all agricultural property to approximate the county average. The county is faced with the choice of keeping an unnaturally high valuation for inundated land or placing an unnaturally high valuation on property that remains in production. Representatives of counties in the Devils Lake Basin told the committee that they are having enormous difficulties with requests for abatement of inundated property, and that this in turn causes substantial problems for valuation of agricultural property that remains in production. It was suggested that the formula be adjusted to allow inundated lands to be excluded from consideration in agricultural property valuations. It was suggested that in addition to existing agricultural property classifications of cropland or noncropland, a third category should be created for inundated agricultural property.

The committee received a resolution signed by county commissioners from 10 counties stating that an increase in valuation for agricultural property is unacceptable in view of the current farm economy. The resolution requested assistance from the Legislative Assembly in restraining agricultural property valuations, particularly in counties in the Devils Lake Basin, where the lake has inundated vast amounts of farmland. The State Board of Equalization has recently granted several counties authority to reduce agricultural property valuations below the statewide average agricultural value per acre as determined under the valuation formula. The board concluded that following the law precisely would impose a hardship within these counties. This action was cited as evidence that the agricultural property valuation formula does not adequately address problems that arise in agricultural property valuation when a substantial amount of agricultural property is inundated.

The capitalization rate used in the agricultural property valuation formula was criticized as being too influential on valuations because a minor reduction in interest rates results in significant increases in valuation as established by the formula. The formula was also criticized for failing to account for costs of production because if farmers' costs of production increase while all other factors remain stable, farmers' net income will decrease but land valuation will remain the same. This was described as a deficiency in the formula because the formula is supposed to measure productivity, which should include consideration of all factors affecting farm income. The committee received information that farm production costs have increased approximately 67 percent in 10 years while yields have increased by 7.5 to 8 percent over that time period and prices received for products have declined.

The committee reviewed an analysis of the effect of restricting changes in the capitalization rate used in the agricultural property valuation formula. Based upon assumptions about what will happen to interest rates, it was estimated that limiting the capitalization rate to no less than 10 percent would result in land valuation reductions of approximately 2.5 percent per year, with a total reduction of approximately 14 percent by the year 2007.

The committee obtained an analysis of the effect on agricultural property valuation of including a component in the valuation formula based on the National Agricultural Statistics Service annual index of prices paid to farmers. It was estimated that use of this component would decrease agricultural property valuations statewide by approximately two percent per year. The cumulative effect of this change would be a reduction of approximately 25 percent in agricultural property assessed valuation by the year 2010 as compared to values determined under the formula without use of the cost index.

The committee recognized that including a production cost index in the agricultural property valuation formula would decrease agricultural property values, and that this change would have differing effects in different counties. Whenever agricultural property valuations are decreased, there will be a resulting shift of tax burden to other types of property unless valuations of those properties decrease even more. Because the mix of agricultural, residential, commercial, and utility property within counties is different, the effect of reduction of agricultural property valuations and resulting shift of property tax burden is different for each county. This effect will be minimal in counties in which substantial amounts of residential, commercial, and utility property exist to absorb the shifting tax burden but will have a more pronounced effect in counties in which agricultural property makes up a high proportion of the property tax base. The committee requested an analysis of this change, which was completed after the committee's final meeting and which bears out the committee's concern. The analysis shows that effects on agricultural property valuations are

variable for different counties. Over a period of 10 years, including a production cost index in the agricultural property valuation formula, and assuming all other factors remain the same, could result in an agricultural property tax decrease of 5.3 percent and a residential property tax increase of 17.1 percent in Benson County, an agricultural property tax decrease of 5.7 percent and a residential property tax increase of 15.1 percent in Nelson County, and an agricultural property tax decrease of 8.5 percent and a residential property tax increase of 10.6 percent in Walsh County. For the same time period, an agricultural property tax decrease of 21.4 percent would be accompanied by a residential property tax increase of 1.4 percent in Grand Forks County, an agricultural property tax decrease of 11.6 percent would be accompanied by a 1.1 percent residential property tax increase in Cass County, and a 12.9 percent agricultural property tax decrease would be accompanied by a 2.9 percent residential property tax increase in Williams County.

Recommendations

The committee recommends Senate Bill No. 2052 to create a separate category for inundated agricultural land for valuation purposes. The bill limits the county average valuation for inundated lands to 10 percent of the valuation of noncropland for the county. Establishing a separate classification category for inundated land will allow these lands to be assigned reduced valuations without affecting the valuation of other agricultural property in the county. This will address a significant problem that has arisen for counties in the Devils Lake Basin, where it has been necessary to transfer valuation from inundated agricultural lands to agricultural lands that remain in production. This will not solve the problem of loss of property tax revenue from inundated lands but will give counties a way to avoid the need to receive requests for abatements for inundated lands and the need to artificially inflate valuations of productive agricultural property. The bill defines inundated agricultural land as property that is unsuitable for growing crops or grazing farm animals for a full growing season or more due to the presence of water. The bill requires that classification of a parcel of property as inundated agricultural property must be approved by the county board of equalization for each taxable year. This will avoid the need for granting abatements but still allow the county to have decisionmaking authority to review the productive status of the property. The bill provides that valuation of individual parcels of inundated agricultural property may recognize the probability of whether or not the property will be suitable for production in the future.

The committee recommends Senate Bill No. 2053 to limit the capitalization rate in the agricultural property valuation formula to no less than 10 percent and no more than 11 percent. Under current law, the capitalization rate is one-half of the determinant of agricultural

property valuations. Limiting the capitalization rate fluctuation will avoid extreme effects on agricultural property values when interest rates are abnormally high or low.

The committee recommends Senate Bill No. 2054 to incorporate use of an index of prices paid by farmers in the agricultural property valuation formula. The bill requires establishing a base year index of prices paid by farmers which would be compared with an average of those costs over the most recent 10 years. Changes in prices paid by farmers would be factored into the valuation formula to increase valuations if costs decline or decrease valuations if costs increase. The index would be based on annual statistics prepared by the National Agricultural Statistics Service.

FARM BUILDINGS PROPERTY TAX EXEMPTION STUDY

Background

Farm residences and farm buildings other than residences are exempt from property taxes under NDCC Section 57-02-08(15). The provision relating to farm residences is much more detailed than the provision relating to other farm buildings. The exemption for residences provides criteria to determine what qualifies as a farm and who qualifies as a farmer and imposes income limitations. The exemption for farm buildings other than residences does not apply to any structure or improvement used in connection with a retail or wholesale business other than farming, any structure on platted land within the corporate limits of a city, or any structure located on railroad-operating property.

The North Dakota Supreme Court decision in *Butts Feed Lots v. Board of County Commissioners*, 261 N.W.2d 667 (1977) concluded that a feedlot operation was an industrial activity and the property did not qualify for the farm buildings exemption. The Supreme Court found that contract feeding of cattle not owned by the owner of the facility is an industrial activity and that raising cattle owned by the owner of the facility is an industrial activity if the feed for the cattle is not grown onsite. The Supreme Court also said an operation may be industrial if replacement animals are not raised onsite. The Tax Commissioner adopted guidelines that are intended to follow the Supreme Court decision. The guideline for animals raised and owned by the operator provides that the feed must be primarily grown by the person raising the animals and the enterprise must be operated in connection with or incidental to an ordinary farming operation.

1995-96 Interim Committee Considerations

The 1995-96 interim Taxation Committee study of the farm buildings exemption arose because of events that transpired in Richland County, although the topic is of relevance in each county in the state. In 1995 a large turkey-raising operation was established in Richland County. Richland County officials assumed that the

TESTIMONY FOR SB 2053

Prepared by Representative Merle Boucher

January 12, 1999

Chairman Urlacher and members of the Senate Finance and Tax Committee. For the record I am Representative Merle Boucher from District 9, which is Rolette County.

I submit my testimony today in support of SB 2053. One of the more serious concerns that we hear from citizens across North Dakota is the issue of property taxes. Property tax levies have been rising steadily over the past several years. Property tax collections is the largest source of tax revenue today, far exceeding other tax revenues. We need to take a serious look at where property assessments, including property valuating, are going.

I urge the Senate Finance and Tax Committee to give SB 2053 serious consideration and I recommend a due pass.

Respectfully submitted by:

A handwritten signature in cursive script, appearing to read "Merle B", followed by a horizontal line extending to the right.

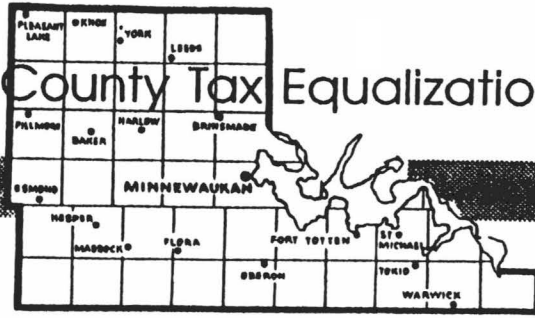
Representative Merle Boucher



*Barry Cop
2053*



Benson County Tax Equalization Office



Tax Director
Phone 473-5524

Minnewaukan, N.D.
Zip Code 58351

January 1999

CHANGES IN ASSESSMENTS SINCE 1981 WHEN SOIL MAP USE BEGAN

1981	+11%	A crop=\$361 per acre
1982	No change	
1983	-6%, +4%	
1984	+6%	A crop=\$374 per acre
1985	-8%	
1986	No change	
1987	No change	
1988	-3%	
1989	-4%	
1990	-4%	
1991	-5%	
1992	-6%	
1993	No change	A crop=\$277 per acre
1994	No change	
1995	+8%	
1996	+11%	
1997	+4%	
1998	+6%	A crop=\$367 per acre

1981, 1982, and 1983 Residential and commercial properties in the cities were all reassessed by the Tax Equalization Office.

- 1983 Commercial property was lowered by 2% countywide.
- 1987 Residential Structures were reduced 7% countywide
- 1988 Residential property was reduced 10% countywide
- 1992 Residential structures were reduced 5% countywide
- 1993 Residential property was reduced 5% countywide
- 1996 Leeds City residential property was raised 10%.
- 1997 Minnewaukan City residential property was reassessed which resulted in 8% increase.
- 1998 Benson County residential property was increased 5%.



RICK CLAYBURGH
COMMISSIONER

STATE OF NORTH DAKOTA

OFFICE OF STATE TAX COMMISSIONER

STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT. 127, BISMARCK, NORTH DAKOTA 58505-0599

701-328-2770

FAX 701-328-3700

Hearing/Speech Impaired 800-366-6888 (TTY Relay North Dakota)

[HTTP://WWW.STATE.ND.US/TAXDPT](http://www.state.nd.us/taxdpt)

October 5, 1998

John Walstad
Code Revisor
Legislative Council
State Capitol
Bismarck, ND 58505

Dear Mr. Walstad:

Your letter to Tax Commissioner Rick Clayburgh dated September 25, 1998, was forwarded to me for response. You asked for an estimate of the property tax shift between classes of property if the costs of production are factored into the agricultural land formula. You provided us with information prepared by Mr. Dwight Aakre, NDSU Extension Service, indicating that the agricultural land value would decrease by approximately 2.2 percent the first year, by 19.6 percent after ten years under one assumption, and by 22.4 percent under another assumption.

The property tax payable in 1998 is the base used in this exercise and is shown in the enclosed tables as "1998 Tax." To calculate the effect of incorporating production costs, I decreased the agricultural land value by the appropriate percentage, recalculated the mill rate to provide the same amount of property tax, and applied the recalculated mill rate to the adjusted agricultural taxable values and to the original taxable value of residential, commercial and centrally assessed property in each county. Only agricultural property values are changed, the amount of property tax revenue raised and values of residential, commercial and centrally assessed property are held constant. The resulting "Projected Tax" measures the effect of factoring the cost of production into the agricultural land value formula.

I trust that this information is helpful to you. If you have any questions or want additional information, please call me at 328-3128.

Sincerely,

Barry Hasti
State Supervisor of Assessments

enclosures (3)

Office of North Dakota Tax Commissioner
Shift in Property Tax by Class of Property
Assuming Agricultural Land Values are Reduced to Reflect Cost of Production
 Production Costs Index at 1.022

	Agricultural Property		Residential		Commercial		Central Assessed	
	1998 Tax	Projected Tax	1998 Tax	Projected Tax	1998 Tax	Projected Tax	1998 Tax	Projected Tax
Adams	1,488,149	1,477,520	446,182	451,438	296,087	299,495	130,681	132,565
Barnes	4,978,477	4,941,748	2,223,287	2,243,407	1,047,938	1,057,421	554,072	561,366
Benson	2,780,901	2,768,687	319,077	323,549	212,870	215,817	284,684	289,282
Billings	205,837	203,439	23,420	23,620	84,401	85,070	191,610	193,092
Bottineau	3,593,142	3,570,478	1,230,401	1,243,156	569,737	575,592	272,427	276,214
Bowman	1,008,217	998,409	599,759	604,498	324,680	327,644	165,347	167,370
Burke	1,585,248	1,576,993	199,683	202,443	206,068	208,923	169,721	172,222
Burleigh	2,023,250	2,002,739	29,079,127	29,090,791	14,858,992	14,863,952	1,768,223	1,770,985
Cass	7,516,864	7,437,200	44,527,956	44,569,310	34,022,424	34,047,023	3,525,294	3,535,204
Cavalier	4,071,694	4,052,660	910,681	921,826	427,751	433,163	138,454	140,626
Dickey	3,022,213	3,006,190	823,906	833,099	465,063	470,232	104,145	105,609
Divide	1,977,751	1,972,194	252,300	255,072	127,751	129,289	59,939	61,019
Dunn	1,712,069	1,696,929	271,716	274,224	146,657	147,944	992,256	1,003,481
Eddy	1,464,044	1,455,610	370,121	374,075	166,671	168,475	190,781	193,376
Emmons	2,275,868	2,260,206	541,767	546,876	202,900	204,925	653,242	661,568
Foster	1,699,419	1,686,871	698,779	704,484	431,641	435,384	208,202	211,004
Golden Valley	1,077,683	1,070,691	302,280	305,310	132,267	133,609	181,471	184,018
Grand Forks	6,283,992	5,538,110	21,580,205	21,525,079	15,241,687	15,231,805	1,960,585	1,944,514
Grant	2,005,635	1,999,744	255,061	258,763	120,638	122,328	22,655	23,019
Griggs	2,145,642	2,135,351	400,816	405,915	220,931	223,877	130,772	132,898
Hettinger	1,896,642	1,892,014	376,642	382,540	205,183	208,254	53,636	54,862
Kidder	1,952,309	1,943,869	332,616	336,864	120,180	121,667	163,910	166,477
LaMoure	3,151,377	3,138,917	580,061	587,315	291,144	294,907	74,990	76,197
Logan	1,504,389	1,499,111	281,394	284,673	126,083	127,606	24,082	24,446
McHenry	2,705,614	2,688,456	478,668	484,258	446,257	451,607	408,115	414,113
McIntosh	1,425,230	1,413,387	547,413	552,457	225,879	227,951	378,443	382,778
McKenzie	1,511,356	1,494,565	447,228	450,526	285,486	287,660	1,066,233	1,077,414
McLean	2,859,985	2,837,958	1,427,795	1,441,620	574,542	580,002	156,103	157,889
Mercer	1,293,292	1,276,010	2,188,658	2,198,705	1,128,932	1,135,086	171,809	173,112
Morton	2,671,122	2,639,940	7,492,580	7,504,178	4,598,940	4,607,608	2,616,124	2,626,879
Mountrail	2,856,283	2,839,678	661,026	668,325	368,096	372,164	334,938	340,003
Nelson	2,947,883	2,933,969	456,753	462,697	311,145	315,379	216,690	220,234
Oliver	805,901	800,212	253,144	256,293	76,571	77,570	102,458	103,942
Pembina	5,041,905	5,006,425	1,510,244	1,526,872	1,153,484	1,166,121	431,181	437,029
Pierce	2,085,375	2,068,883	915,287	923,163	480,257	484,454	351,277	355,552
Ramsey	3,170,852	2,965,745	2,694,824	2,707,379	2,281,293	2,292,179	583,612	583,941
Ransom	2,755,986	2,736,683	982,889	993,118	667,637	673,840	202,524	205,217
Renville	1,798,436	1,792,466	247,342	250,357	154,885	156,839	48,407	49,248
Richland	7,080,284	7,022,141	4,107,127	4,139,334	2,876,701	2,894,999	779,608	786,839
Rolette	1,855,532	1,841,790	724,874	731,982	473,938	478,366	175,412	177,505
Sargent	2,914,087	2,899,697	515,358	521,619	746,658	752,229	168,735	171,121
Sheridan	1,410,517	1,406,260	99,663	101,125	79,493	80,643	83,973	85,516
Sioux	666,088	665,106	34,729	35,313	18,049	18,357	2,245	2,290
Slope	821,357	820,794	6,122	6,221	12,462	12,670	11,087	11,261
Stark	2,061,987	2,036,286	6,168,562	6,182,875	2,749,992	2,756,229	904,709	909,734
Steele	2,701,157	2,693,590	187,209	189,794	201,798	204,424	91,144	92,696
Stutsman	4,741,737	4,698,172	5,349,129	5,370,788	3,478,024	3,493,017	961,608	968,186
Towner	2,544,029	2,534,956	424,200	428,839	237,648	240,503	90,090	91,493
Traill	4,207,649	4,175,031	1,586,897	1,603,057	1,101,010	1,113,136	330,330	334,407
Walsh	6,112,313	6,054,674	2,639,780	2,659,051	1,539,367	1,550,982	333,889	337,037
Ward	3,867,328	3,823,704	15,740,181	15,767,318	8,978,433	8,989,917	1,352,927	1,357,635
Wells	3,059,235	3,043,435	705,840	713,033	365,591	369,573	300,064	304,487
Williams	3,326,467	3,256,989	5,669,398	5,684,171	3,310,093	3,237,032	1,485,526	1,482,734

Office of North Dakota Tax Commissioner

Shift in Property Tax by Class of Property
Assuming Agricultural Land Values are Reduced to Reflect Cost of Production
 Production Costs Indexed Forward 10 Years at 2 Points per Year Increase

	Agricultural Property		Residential		Commercial		Central Assessed	
	1998 Tax	Projected Tax	1998 Tax	Projected Tax	1998 Tax	Projected Tax	1998 Tax	Projected Tax
Adams	1,488,149	1,381,164	446,182	499,088	296,087	330,388	130,681	149,636
Barnes	4,978,477	4,614,828	2,223,287	2,418,663	1,047,938	1,140,356	554,072	627,675
Benson	2,780,901	2,654,767	319,077	365,371	212,870	243,467	284,684	332,212
Billings	205,837	182,887	23,420	25,399	84,401	90,849	191,610	205,773
Bottineau	3,593,142	3,366,300	1,230,401	1,357,493	569,737	628,464	272,427	311,051
Bowman	1,008,217	911,979	599,759	646,047	324,680	353,822	165,347	185,415
Burke	1,585,248	1,500,773	199,683	228,005	206,068	235,394	169,721	195,434
Burleigh	2,023,250	1,831,553	29,079,127	29,192,319	14,858,992	14,907,206	1,768,223	1,796,198
Cass	7,516,864	6,762,943	44,527,956	44,935,059	34,022,424	34,261,586	3,525,294	3,625,087
Cavalier	4,071,694	3,877,064	910,681	1,024,629	427,751	483,238	138,454	160,949
Dickey	3,022,213	2,859,441	823,906	917,334	465,063	517,591	104,145	119,150
Divide	1,977,751	1,919,734	252,300	281,321	127,751	143,920	59,939	71,352
Dunn	1,712,069	1,562,909	271,716	296,663	146,657	159,411	992,256	1,102,616
Eddy	1,464,044	1,378,685	370,121	410,085	166,671	184,899	190,781	217,171
Emmons	2,275,868	2,119,653	541,767	592,859	202,900	223,236	653,242	736,519
Foster	1,699,419	1,575,919	698,779	755,243	431,641	468,756	208,202	236,872
Golden Valley	1,077,683	1,007,221	302,280	332,808	132,267	145,820	181,471	207,237
Grand Forks	6,283,992	5,028,758	21,580,205	21,835,259	15,241,687	15,372,773	1,960,585	1,999,671
Grant	2,005,635	1,944,377	255,061	293,760	120,638	138,252	22,655	26,394
Griggs	2,145,642	2,039,998	400,816	453,141	220,931	251,212	130,772	152,621
Hettinger	1,896,642	1,830,367	376,642	417,463	205,183	226,521	53,636	62,259
Kidder	1,952,309	1,865,987	332,616	376,011	120,180	135,484	163,910	190,309
LaMoure	3,151,377	3,022,504	580,061	655,245	291,144	330,139	74,990	87,538
Logan	1,504,389	1,449,577	281,394	315,493	126,083	141,947	24,082	27,920
McHenry	2,705,614	2,532,443	478,668	535,251	446,257	499,923	408,115	469,163
McIntosh	1,425,230	1,309,450	547,413	598,187	225,879	246,594	378,443	421,483
McKenzie	1,511,356	1,347,746	447,228	479,298	285,486	306,518	1,066,233	1,175,361
McLean	2,859,985	2,644,751	1,427,795	1,566,948	574,542	629,524	156,103	174,193
Mercer	1,293,292	1,128,755	2,188,658	2,282,438	1,128,932	1,186,670	171,809	184,337
Morton	2,671,122	2,377,684	7,492,580	7,601,166	4,598,940	4,679,943	2,616,124	2,718,434
Mountrail	2,856,283	2,687,575	661,026	735,119	368,096	409,366	334,938	386,540
Nelson	2,947,883	2,804,395	456,753	518,189	311,145	354,884	216,690	253,426
Oliver	805,901	748,716	253,144	284,758	76,571	86,556	102,458	117,471
Pembina	5,041,905	4,686,276	1,510,244	1,677,359	1,153,484	1,279,930	431,181	490,115
Pierce	2,085,375	1,922,137	915,287	993,016	480,257	521,663	351,277	394,141
Ramsey	3,170,852	2,712,836	2,694,824	2,829,069	2,281,293	2,384,786	583,612	620,955
Ransom	2,755,986	2,563,196	982,889	1,085,161	667,637	729,400	202,524	229,753
Renville	1,798,436	1,736,641	247,342	278,622	154,885	175,198	48,407	57,266
Richland	7,080,284	6,508,124	4,107,127	4,425,374	2,876,701	3,054,801	779,608	851,674
Rolette	1,855,532	1,718,766	724,874	795,562	473,938	517,927	175,412	196,435
Sargent	2,914,087	2,767,241	515,358	579,619	746,658	803,114	168,735	193,206
Sheridan	1,410,517	1,365,968	99,663	115,038	79,493	91,522	83,973	100,214
Sioux	666,088	655,701	34,729	40,983	18,049	21,349	2,245	2,710
Slope	821,357	815,596	6,122	7,112	12,462	14,638	11,087	12,894
Stark	2,061,987	1,820,748	6,168,562	6,301,950	2,749,992	2,807,883	904,709	953,543
Steele	2,701,157	2,627,381	187,209	214,795	201,798	229,341	91,144	107,620
Stutsman	4,741,737	4,324,702	5,349,129	5,555,517	3,478,024	3,620,782	961,608	1,026,418
Towner	2,544,029	2,451,237	424,200	471,556	237,648	266,920	90,090	104,660
Traill	4,207,649	3,883,145	1,586,897	1,747,530	1,101,010	1,221,679	330,330	371,211
Walsh	6,112,313	5,666,201	2,639,780	2,878,953	1,539,367	1,679,064	333,889	374,503
Ward	3,867,328	3,453,290	15,740,181	15,997,408	8,978,433	9,086,705	1,352,927	1,398,841
Wells	3,059,235	2,899,355	705,840	778,315	365,591	405,809	300,064	345,327
Williams	3,326,467	2,951,914	5,669,398	5,813,276	3,310,093	3,325,472	1,485,526	1,568,592

Office of North Dakota Tax Commissioner

Shift in Property Tax by Class of Property Assuming Agricultural Land Values are Reduced to Reflect Cost of Production

Production Costs Indexed Forward 10 Years at 3 Points per Year Increase

	Agricultural Property		Residential		Commercial		Central Assessed	
	1998 Tax	Projected Tax	1998 Tax	Projected Tax	1998 Tax	Projected Tax	1998 Tax	Projected Tax
Adams	1,488,149	1,363,260	446,182	507,948	296,087	336,130	130,681	152,819
Barnes	4,978,477	4,555,391	2,223,287	2,450,253	1,047,938	1,155,385	554,072	640,095
Benson	2,780,901	2,632,956	319,077	373,394	212,870	248,785	284,684	340,447
Billings	205,837	179,282	23,420	25,718	84,401	91,869	191,610	207,983
Bottineau	3,593,142	3,328,568	1,230,401	1,378,498	569,737	638,248	272,427	317,637
Bowman	1,008,217	896,391	599,759	653,504	324,680	358,548	165,347	188,722
Burke	1,585,248	1,486,322	199,683	232,860	206,068	240,426	169,721	199,846
Burleigh	2,023,250	1,802,268	29,079,127	29,209,477	14,858,992	14,914,486	1,768,223	1,800,869
Cass	7,516,864	6,645,386	44,527,956	44,998,947	34,022,424	34,298,094	3,525,294	3,641,594
Cavalier	4,071,694	3,843,812	910,681	1,044,086	427,751	492,754	138,454	164,851
Dickey	3,022,213	2,831,874	823,906	933,170	465,063	526,499	104,145	121,715
Divide	1,977,751	1,909,555	252,300	286,422	127,751	146,768	59,939	73,378
Dunn	1,712,069	1,538,629	271,716	300,778	146,657	161,502	992,256	1,120,534
Eddy	1,464,044	1,364,284	370,121	416,814	166,671	187,973	190,781	221,644
Emmons	2,275,868	2,093,799	541,767	601,296	202,900	226,619	653,242	750,343
Foster	1,699,419	1,555,551	698,779	764,500	431,641	474,858	208,202	241,728
Golden Valley	1,077,683	995,410	302,280	337,923	132,267	148,096	181,471	211,575
Grand Forks	6,283,992	4,939,604	21,580,205	21,889,777	15,241,687	15,396,954	1,960,585	2,009,654
Grant	2,005,635	1,933,669	255,061	300,547	120,638	141,337	22,655	27,052
Griggs	2,145,642	2,021,871	400,816	462,127	220,931	256,428	130,772	156,379
Hettinger	1,896,642	1,818,436	376,642	424,235	205,183	230,073	53,636	63,687
Kidder	1,952,309	1,851,236	332,616	383,421	120,180	138,112	163,910	194,840
LaMoure	3,151,377	3,000,163	580,061	668,310	291,144	336,915	74,990	89,734
Logan	1,504,389	1,440,034	281,394	321,437	126,083	144,722	24,082	28,599
McHenry	2,705,614	2,503,346	478,668	544,795	446,257	508,866	408,115	479,514
McIntosh	1,425,230	1,290,448	547,413	606,580	225,879	250,007	378,443	428,535
McKenzie	1,511,356	1,321,523	447,228	484,426	285,486	309,863	1,066,233	1,192,912
McLean	2,859,985	2,609,508	1,427,795	1,589,860	574,542	638,511	156,103	177,207
Mercer	1,293,292	1,103,286	2,188,658	2,296,841	1,128,932	1,195,620	171,809	186,332
Morton	2,671,122	2,332,647	7,492,580	7,617,717	4,598,940	4,692,261	2,616,124	2,734,364
Mountrail	2,856,283	2,659,030	661,026	747,655	368,096	416,340	334,938	395,308
Nelson	2,947,883	2,779,626	456,753	528,811	311,145	362,438	216,690	259,803
Oliver	805,901	739,171	253,144	290,044	76,571	88,216	102,458	119,994
Pembina	5,041,905	4,627,060	1,510,244	1,705,265	1,153,484	1,300,922	431,181	499,994
Pierce	2,085,375	1,895,384	915,287	1,005,685	480,257	528,415	351,277	401,293
Ramsey	3,170,852	2,668,465	2,694,824	2,850,289	2,281,293	2,400,977	583,612	627,665
Ransom	2,755,986	2,531,198	982,889	1,102,158	667,637	739,612	202,524	234,331
Renville	1,798,436	1,725,895	247,342	284,071	154,885	178,741	48,407	58,830
Richland	7,080,284	6,414,929	4,107,127	4,477,462	2,876,701	3,083,405	779,608	863,610
Rolette	1,855,532	1,696,202	724,874	807,215	473,938	525,173	175,412	199,953
Sargent	2,914,087	2,742,224	515,358	590,655	746,658	812,671	168,735	197,403
Sheridan	1,410,517	1,358,127	99,663	117,758	79,493	93,645	83,973	103,083
Sioux	666,088	653,843	34,729	42,112	18,049	21,945	2,245	2,798
Slope	821,357	814,605	6,122	7,280	12,462	15,022	11,087	13,203
Stark	2,061,987	1,783,788	6,168,562	6,322,192	2,749,992	2,816,630	904,709	961,355
Steele	2,701,157	2,614,503	187,209	219,676	201,798	234,198	91,144	110,544
Stutsman	4,741,737	4,259,147	5,349,129	5,587,754	3,478,024	3,643,050	961,608	1,037,012
Towner	2,544,029	2,435,346	424,200	479,652	237,648	271,941	90,090	107,201
Traill	4,207,649	3,829,642	1,586,897	1,773,982	1,101,010	1,241,582	330,330	378,011
Walsh	6,112,313	5,594,797	2,639,780	2,919,318	1,539,367	1,702,613	333,889	381,500
Ward	3,867,328	3,388,919	15,740,181	16,037,305	8,978,433	9,103,412	1,352,927	1,406,245
Wells	3,059,235	2,872,395	705,840	790,472	365,591	412,587	300,064	353,072
Williams	3,326,467	2,898,113	5,669,398	5,835,993	3,310,093	3,340,957	1,485,526	1,583,937

My name is Arvid Winkler. I am a farmer and township assessor in Barnes County. I have been the Cuba Township assessor since 1977. I have a bachelor's degree in civil engineering from NDSU.

My first impression of this bill was not good. It strikes me as political meddling in a mathematical concept.

While I do not have particularly strong feelings on SB 2053, I do wish it would not become law in its' current form.

I will be happy to answer any questions the committee may have on this issue.

**EDDY
COUNTY
NORTH DAKOTA**

**Director of Tax Equalization
New Rockford, North Dakota 58356**

Elder Daugherty

January 12, 1999

Senator Herb Urlocker:

Dear Sir:

I wanted to be at the hearing on Cap Rate this morning, but the weather held me at home.

I support this cap rate at 10 and a high of 11.

The Assessor has a higher market value on some sales of Agricultural land then what is sold for.

The increase of Agricultural land going up 3 or 4% every year because the cap rate is going done has to stop.

Please support this bill.

Elder Daugherty
Tax Director for Eddy and Foster Counties

Elder Daugherty

Eddy County		<u>Sold</u>	<u>Assessor</u>
11-3-98	320 acres	\$69,000	72,800
11-17-98	320 acres	\$75,000	80,400
Foster County			
10-24-98	160 acres	\$46,000	43,420
11-24-98	160 acres	\$55,000	52,600