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10/2/03
Date

2003 HOUSE FINANCE AND TAXATION

HB 1054

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1054

House Finance and Taxation Committee

Conference Committee

Hearing Date January 13, 2003

Tape Number	Side A	Side B	Meter #
1	X		28

Committee Clerk Signature *Janice Stein*

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

JOHN WALSTAD, CODE REVISOR, LEGISLATIVE COUNCIL Explained the bill and reviewed the interium committee report. See written interium committee report. He also covered the fiscal note relating to the \$913,000 expenditure for the biennium ending in July, 2003.

REP. DAVID DROVDAL, DIST. 39, Reported that he was involved during the interium committee. He gave a history of the Homestead Tax Credit relating back to the depression years and the income level of people in that age group. He stated when the bill was drafted, they didn't know about the fiscal note. This bill ties the poverty level with the national standard. If a senior citizen is 65 years old and make less than \$8,860, they will get 100% exemption on their real estate taxes. If an individual makes \$9,746 or a couple makes \$13,934, they pay 20% of their tax. If a couple makes \$14,328, they will pay 40% of their tax. If a couple makes \$15,522, they

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will pay 60% of their taxes. An individual making \$12,404, an individual will pay 80% of their tax. and a couple making \$16,716, would get 20% off. They can only have \$50,000 in assets, so they are not well off. These are people who have paid their price, a lot of these people live in rural North Dakota. I think it is the time where we need to put this into perspective and do something for these people.

REP. SCHMIDT Stated he was on that interium committee too, it upsets me that we spent all of that time, and no one came forward with a fiscal note.

REP. DROVDAL Stated the estimate of the fiscal note during that time was half of what it is now.

JOHN WALSTAD Commented, that the reason there is a fiscal note on this is, the state reimburses political subdivisions for lost property tax under the homestead tax credit.

TERRY TRAYNOR, NORTH DAKOTA ASSOCIATION OF COUNTIES. Testified in support of the bill. He stated it keeps the costs down to where these people can stay in their home, and receive services in their home, and stay out of the nursing homes. It makes a very nice fit. We are interested in the appropriation that supports the bill.

MARCY DICKERSON, STATE SUPERVISOR OF ASSESSMENTS, STATE TAX

DEPARTMENT Provided information to the committee. See written testimony plus tables showing homeowner benefits. She stated there should be no effect to the current biennium, that is an error in the fiscal note. The bill is effective for the biennium beginning year 2003. The estimate in the fiscal note, was only for current applicants.

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REP. DROVDAL Commented that the evaluation of the homeowner was at a maximum of \$40, to 45,000. He stated that he remembered that during the interium committee. You stated the homestead value was \$80,000.

MARCY DICKERSON That is part of the provisions in this bill. In existing law, it is \$44,000. I believe, originally, you had completely removed a "maximum". Then the committee decided to bring the maximum up to \$80,000. If you would have removed "maximum" completely, in a few cases, some people with really expensive homes could have gotten 100% reduction. That is why the language in this bill raises the maximum to \$80,000.

REP. BELTER Asked whether the federal poverty level could be removed, and would it be very difficult to calculate a new fiscal note.

MARCY DICKERSON Stated they could calculate with different numbers.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-13-03, Tape #2, Side A, Meter # 2.7

REP. WINRICH Asked a question of Marcy Dickerson, who was still in the committee room, he felt that there was an assumption that everyone who applied was in an \$80,000 home.

MARCY DICKERSON This is for the new individuals who will become eligible, we made that assumption. For current homeowners and renters, we used their current situation, and just plugged in the new criteria. The ones in the \$80,000 home would only get 20% reduction in taxes. I feel safe that the fiscal note would not be higher, and it could be something less. We would have had a more complete fiscal note for the interium committee, had we figured out at that time, how to estimate who might be newly available because of the new income limits, and it

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wasn't until October, that we received a tape from the IRS that showed how many North Dakota filers that were between the \$14,000 and the new maximum limit for two individuals had filed.

It is an estimate, and we decided to estimate it at the highest level. It could be lower.

REP. BELTER decided to hold this bill until a revised fiscal note was received.

COMMITTEE ACTION 2-4-03, Tape #1, Side A, Meter #9.8

REP. DROYDAL Presented amendments to committee members which would, remove the evaluation, which would then, be maxed out at \$44,000. It will lower the fiscal note from 3 million down to 1.2 million dollars.

REP. HEADLAND Second the motion. Motion carried by voice vote.

REP. GROSZ Made a motion for a **DO NOT PASS AS AMENDED**

REP. WEILER Second the motion. **MOTION CARRIED**

9 YES 3 NO 2 ABSENT

REP. CLARK Was given the floor assignment.

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FISCAL NOTE
 Requested by Legislative Council
 02/06/2003

Amendment to: HB 1054

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$1,218,086			
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Engrossed HB 1054 raises the maximum qualifying income to 140% of the single-person federal poverty level for applicants with no dependents, and to 140% of the two-person federal poverty level for applicants with one or more dependents. Those changes make current applicants eligible for greater reductions in taxable value of their homesteads, and also make the program available to new applicants for both the homeowner's credit and the renter's property tax refund whose income exceeds the limitations under existing law. Engrossed HB 1054 keeps the existing maximum taxable valuation of a homestead for which an applicant may receive a reduction. Engrossed HB 1054 is expected to increase state general fund expenditures by \$1.218 million over what was contained in the Governor's budget for the 2003-05 biennium.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	02/06/2003

Kalista Rickford
 Operator's Signature

10/2/03
 Date

