

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

23999

2005 SENATE FINANCE AND TAXATION

SB 2399

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2399

Senate Finance and Taxation Committee

Conference Committee

Hearing Date January 31, 2005

Tape Number	Side A	Side B	Meter #
# 1		X	51.2 - 61.5
#2	X		0.0 - 4.6
		X	16.0 - 32.1
Committee Clerk Signature <i>Sharon Lenz</i>			

Minutes:

**SEN. O'CONNELL:** appeared as prime sponsor stating the bill here is basically a lot of cities have tax exemptions and when you come to the schools, this is the idea of it Mr. Chairman Urlacher called the Committee to order and opened the hearing on, I'm told Fargo already has everything put a value on, so I believe that Fargo, the largest city and the State that they can take and have this on the books already, it is a hardship on the rest of the cities. They put that below \$5,000 in there, that can be moved, I don't have heartburn on that Mr. Chairman Urlacher called the Committee to order and opened the hearing on. The idea of it is that when it comes to school evaluation and stuff, some cities have a lot of tax exempt property, and I don't believe the school districts and them cities should be classified as property for (sp). This may be a way to equalize some of this out.

**SEN. COOK;** the state does not consider this a political subdivision, correct, so this would include all state property?

**ANSWER:** My intention was at the time was to the exempt the State property, no just the political subdivisions.

**SEN. COOK:** My suggestion would be to expand it so its not just cities but counties too.

**ANSWER;** I have no problem with that Sen. Cook. It was just a way to get it down here and get it before the committee discussion

**SEN. COOK'** do you have any idea the amount of work this would require? Or would put on a tax assessor? You mentioned Cass County already has a lot of this information.

**ANSWER:** no, I figured if they had it out of the books, so I figured if he can make is available, I don't care if its 2 years from now, lets just get the process started.

**SEN. URLACHER:** At one time we were headed in that direction but there was a tremendous amount of resistance because of the cost and time factor at the time.

**SEN. O'CONNELL:** let's do it now, with the computers we have now, it can be done.

**SEN. COOK:** I said counties too, but I would assume this would include all farm residences?

**ANSWER;** I hadn't gone that far, I guess that's why I put the cities to \$5,000.

**SEN. COOK:** but you would support counties then? Yes

**KEVIN TERNES:** City Assessor in Minot appeared in opposition stating we currently have a value on all exempt property in the City of Minot, that would include churches, Red Cross bldg, all your charitable property, so we would have no problem in this law where it says that we should provide that report to the City Auditor on an annual basis. It's beyond our pay grade, so to speak, if you want the data, we have the data and were not going to question why you need it, but we would have issue with the section line 22 where they talk about removing the state.

Currently the local assessor doesn't have to value govt. Bldgs, school properties of state. That

appears to remain the same, but if you remove the State, then what that means to our office is we have to go out and value state bldgs and in Minot we are dealing with Minot State University which would be a huge undertaking. A suggestion is that if your goal is to find a value of a State bldg, possibly the state could contract and hire it out or DOT has a reality division of licensed appraisers.

**SEN. EVERY:** commented that in his small town, they had to get valuations on everything in town for our flood insurance program.

**SEN. TOLLEFSON:** commented that it would be a big job and a person has to be very knowledgeable and agrees with the point.

**JERRY HJELMSTEAD:** ND League of Cities appeared in opposition stating because of the additional work it would take.

**SEN. EVERY:** who is on your legislative committee?

**ANSWER:** We have an elected executive boards made up of 15 members from around the state and then the president in each of 6 regions, 2 members from each region, 1 from a city over 2500, 1 from a city under 2500. The president then appoints a legislative committee made up a portion of our executive board and then they also invite other participation from around the state to take part in our conference call that we have every week discussing legislative issues. Then we have a 5 member legislative committee which is a portion of our executive board and then we have input from other cities.

**SEN. EVERY:** Jerry, are they small town mayors, big city mayors, city councilmen, who are they?

**ANSWER:** we have 6 regions, they are either elected or appointed officials and from each of our regions we have 1 member from a city over 2500 and 1 from under 2500.

**NO FURTHER TESTIMONY.** Closed the hearing.

Afternoon Committee Work.

**SEN. WARDNER:** this all started back in 1995, it had a 4 yr. delay on it but it went into effect in 1999 then all of a sudden all this stuff was supposed to be assessed, everything, that's what it mandated. In 2001 that's what we did, we actually took this stuff out, so it was manageable for the assessors so now its back again and it's still unmanageable now.

**SEN. COOK:** I certainly support O'Connell's intent with this bill, I know why he's got it, it has to do with equity funding of education, it has to do with taxable valuation by each student in each individual school district and if your going to determine the wealth in a school district behind each student, I guess there is 2 ways to look at it, one is the only wealth that really counts is the wealth that you assess and can receive, the other way I think somebody can make an argument is that if property is an indication of wealth then maybe it doesn't matter whether you assess it or not, maybe you just have to know how much property you have whether you tax it or not and just have to know how much property is there and I tend to lean that way as Sen. O'Connell is. If your going to go this way, go the whole way.

**SEN. TOLLEFSON:** I think the City Assessor from Minot made a real point, the State property for example in Minot, Minot State University and other properties, this takes a professional appraiser to do that.

**SEN. URLACHER:** don't they have some evaluation of there assets?

**SEN. TOLLEFSON:** they do have a handle on all the tax free property in the City of Minot, but they haven't been assessed or appraised, I don't think.

**SEN. URLACHER:** should the state property be excluded from the gathering of valuation?

**SEN. TOLLEFSON:** for the sake of taxes, you don't get any tax money out of state owned property anyway.

**SEN. WARDNER:** if we take that State out of it, that's really the meat of the bill. The fiscal note would be huge one that. Made a **MOTION FOR DO NOT PASS**, just because its not feasible. Seconded Sen. Tollefson.

**SEN. EVERY:** commented that the idea of assessing could be difficult but somebody has done it before.

**SEN. TOLLEFSON:** any college or university must have a running figure, but doesn't mean a thing its a non taxable entity.

**SEN. COOK:** even if we took State out of here and all made apply to was residential and commercial property in the State of ND, we have residential property in the City of Mandan that would has some value that's not being taxed and that's the 1st \$75,000 dollars of every house that's built in the last 2 years, that could be considered and I think it should be. We have commercial property that for whatever reason is getting the 5 yr. tax break, that's easy to assess. The \$75,000 exemption requires no work, its just a matter of getting it into the formula. If State is the biggest challenge and if State is the area where one might argue on whether or not that really offers wealth that could be behind a student, the Sen. O'Connells of the world will certainly argue that it does. I think we could get this in a form that at least it offered a stability to assess all residential and commercial property.

**SEN. WARDNER:** I do not disagree with what Sen. Cook has said, however as the young man from Minot said, they have all that information, I don't know if you need a bill.

**SEN. COOK:** the intent is to get it on that assessment roll.

**SEN. TOLLEFSON:** I think now that after I've seconded the DNP, I kinda wonder if there isn't more information that we need on this bill. At least its not very clear in everybody's mind what will it accomplish.

**SEN. WARDNER:** if we take out State, I would support it if we feel it does something, it mandates the information will be brought to a certain office.

**SEN. URLACHER:** only way it will get done, creating a lot of work the assessors.

**SEN. WARDNER:** I WITHDRAW MY MOTION for the purpose of bringing amendments forward.

**SEN. COOK:** I will talk to Sen. O'Connell and maybe he can pursue getting some amendments to this.

**SEN. EVERY:** this bill is all about the equity lawsuit.

**SEN. WARDNER:** I like the idea of getting the other information, if that's what it takes this bill to do that, but I have concerns with equity lawsuit.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2399**

Senate Finance and Taxation Committee

Conference Committee

Hearing Date **February 9, 2005**

Tape Number	Side A	Side B	Meter #
#1		X	14.5 - 29.5
Committee Clerk Signature <i>Sharon Bengtson</i>			

Minutes:

**SEN. COOK:** I see this is Sen. O'Connell's bill and I know why he's introducing this bill and I support the intent of this bill. I don't know if Sen. O'Connell has spoken to anybody about accepting an amendment to the bill but its difficult to vote for this bill in the way it is right now because of state owned property. But if Sen. O'Connell wanted this bill to stay alive and is willing to amend out state owned property or political subdivisions own property, I'm all for this piece of legislation.

**SEN. URLACHER:** in passing it seemed he was open to amendments. I haven't gotten any specifics.

**SEN. WARDNER:** I think the only thing we'd have to do is on page 1, line 22 we would take the overstrike off of this copy of the United States, this state

**SEN. TOLLEFSON:** it's probably a good bill, but it's going to be almost impossible for some of these communities to come up with this. Minot has done it, but there are areas, Bismarck I

would think would have just a real time coming up with the assessed evaluation of tax-exempt property, very difficult. The practicality of it is that it almost takes a professional organization to really assess and evaluate property like that.

**SEN. EVERY:** you'd have to have that language in there otherwise without that language it would really be useless, you have to have that included in there to make sense.

**SEN. URLACHER:** the assessors interpreted to mean roads, bridges, schools, they killed it by definition and we're going to do it, we need to be more specific so they don't lead themselves into all the stuff that we know isn't good.

**SEN. URLACHER:** requested Sen. O'Connell come down and if he was open to amendments on the issue of state and federal land.

**SEN. O'CONNELL:** I didn't have any heartburn on eliminating some of that. If you can make a good bill out of it, I have no problems with whatever you do.

**SEN. URLACHER:** did Fargo have colleges?

**SEN. O'CONNELL:** Not on the state land that I'm aware of.

**SEN. COOK:** to me its not so much a challenge of going out and assessing property as it is just collecting the data that's already there and I'm wondering if we just don't need to, we talk about the city auditor may not accept the assessment role unless it contains the schedule showing true and full value of property exempt and then follow that with some language that gives them 1) some time frame to do it and 2) some directions on how to do it. For example the directions if it's very important that we State owned property in there that we simply require the owner to notify the political subdivision or the county where the property is in as to what they assume the evaluation to be.

**SEN. O'CONNELL:** reference in Bismarck where you could get up to 5 years exemption if you built \$150,000 house or more, I guess I didn't feel that was fair to the taxpayers when it come to the school districts and stuff, examples like that.

**SEN. COOK:** again so we understand how this information would be used, its not going to affect anybodies taxes, No, not going to affect the mill rate deduct, No, what it will do is shed some light on a debate that we continually have around here relative to whether a school district is rich or poor.

**SEN. O'CONNELL:** that's right, that is the sole purpose.

**SEN. COOK:** I completely agree with that purpose, we would have to then of course expand it as we discussed when you introduced the bill so its just not cities.

**SEN. O'CONNELL:** take one step at a time or maybe a study resolution

**SEN. URLACHER:** the last time we requested of course they interpreted to be everything including roads, churches whatever. We have to be more specific and we have to be sympathetic to them as well in order to accomplish it. So anyway we can do that and be specific enough so it will work and still give proper information.

**SEN. O'CONNELL:** yes, before the assessors have come in and filled the capital saying we haven't got time, we haven't got the resources, after I found out Fargo has the time and resources, I didn't buy that argument. It's going to be work to start with.

**SEN. URLACHER:** this is left to the cities or should be expanded to the counties?

**SEN. O'CONNELL:** I guess I would prefer to take one step, small step at a time, maybe expand it or go to a study resolution, whatever would work to get this started.

**SEN. COOK:** concerning the purpose and the reason why we want it, its invaluable information unless we have it all for one. Number two; this puts a burden on a city auditor, if that's acceptable then there's no reason why you can't request the same thing from a county auditor. I guess that's the way I look at it.

**SEN. WARDNER:** it was mentioned here that all entities that have tax exempt property that they have to report to the county or city auditor so we have that information. It may not be perfect but it would be a starting point. Would the mechanics be that tough?

**SEN. COOK:** I had discussions in committee over how to get our arms around this and it's a tough one, you bring a good issue with this bill.

**SEN. BERCIER:** what amendment might be put in here?

**SEN. COOK:** I want to remove any burden from assessor's number 1 and I do believe it's just a matter of collecting data. I'll make an attempt to get something with Mr. Walstad and Sen. O'Connell or whoever else wants to sit in.

End of discussion.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2399

Senate Finance and Taxation Committee

Conference Committee

Hearing Date February 14, 2005

Tape Number	Side A	Side B	Meter #
1	X		10.9-13.5
Committee Clerk Signature <i>Sharon Rappaport</i>			

Minutes:

Chairman Urlacher opened the meeting to discuss SB 2399. All Senators were present with the exception of Senator Bercier and Senator Tollefson.

Senator Cook was going to work with Senator O'Connell on some changes to the bill. It was decided that the committee would wait until the following day to act on the bill, due to the absence of two committee members.

The meeting was declared closed by Chairman Urlacher.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2399

Senate Finance and Taxation Committee

Conference Committee

Hearing Date February 15, 2005

Tape Number	Side A	Side B	Meter #
1	X		33.7-36.4
Committee Clerk Signature <i>Sharon Lennox</i>			

Minutes:

**Chairman Urlacher called the meeting to order on SB 2399. All Senators were present with the exception of Senator Bercier.**

**Action taken:**

**Senator Cook moved a Do Not Pass recommendation for SB 2399. Seconded by Senator Wardner. The vote on the Do Not Pass recommendation was 5-0-1. Senator Tollefson is the carrier of the bill.**

**Chairman Urlacher closed the meeting on SB 2399.**

## FISCAL NOTE STATEMENT

Senate Bill or Resolution No. 2399

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

John Walstad  
Code Revisor





**REPORT OF STANDING COMMITTEE (410)**  
February 15, 2005 10:18 a.m.

**Module No: SR-30-2911**  
**Carrier: Tollefson**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2399: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2399 was placed on the Eleventh order on the calendar.**

2005 TESTIMONY

SB 2399

1/31/2005

Testimony to the  
Senate Finance and Taxation Committee  
Prepared 1/30/05 by Kevin Ternes  
City Assessor for Minot ND

Concerning Senate Bill 2399

Mr. Chairman, my name is Kevin Ternes, City Assessor for Minot. I thank you for the opportunity to relay some concerns our office has regarding SB 2399.

Senate Bill 2399 would ask the assessor in larger cities to provide a separate schedule for those properties that are exempt from property taxes showing the true and full value that is exempt. Our office would not object to providing this list to the city auditor on an annual basis.

My concern is with the change in wording of 57-02-14. Presently, the local assessor is not responsible for estimating the market value of federal, state, or political subdivision property and buildings, or farm buildings and farm residences that are currently exempt from property taxes by law.

It would appear that Senate Bill 2399 is removing the word state from the current section of law in NDCC 57-02-14 meaning that the local assessor would be asked to value all state land and buildings excluding roads and right of way.

This would be a significant request to ask local jurisdictions to appraise and value state property. Many offices have just part-time help with no full time staff. Those jurisdictions with full time staff are probably going to have numerous state complexes that they are being asked in this bill to appraise. I am convinced I would have to pay over-time to our 3 staff appraisers to perform such a task and stay on schedule with our current duties. I don't see how that is possible as all department heads for the City of Minot have already been asked to search for cost savings for the 2006 budget.

I estimate that in Minot, we would be responsible for estimating 24 parcels of properties to include probably close to 30 buildings. The largest being Minot State University. I estimate the MSU complex would take our office weeks to appraise. On site inspections would have to be coordinated with state building staff. We would have to start with adequate drawings, field inspections, and calculations of sales and income comparables. Researching the entire state and region would be required to look for comparable institutional buildings that might have sold. This would be part of such an appraisal as the art of appraising involves on site inspections, data collection, and research.

Because numerous assessors also carry state appraisal licenses, due diligence must be performed to make the appraisals as complete as necessary to arrive at a reasonable estimate of value. That means requiring a significant amount of time, research and resources to provide a credible appraisal.

As always, city and county staff are pressed for time and resources in conducting the assessment of properties that pay tax and need to be valued every year and equalized with other tax paying properties. Our office is asking you to keep 57-02-14 as it is currently written and not require the local assessor to appraise state land and buildings.

Might the State of North Dakota be able to contract for this service from its resources to appraise the state's real estate inventory? Or, could the office or individuals requesting this data use the realty division in the ND Department of Transportation? They have a team of licensed appraisers that travel the state doing appraisals for right of way projects. I am sure they are busy also, but they work for the jurisdiction that is requesting the information.

Thank you for accepting this testimony and I would be happy to provide additional information if requested.

Kevin Ternes  
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*Kevin Ternes*