

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1269

2007 HOUSE FINANCE AND TAXATION

HB 1269

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1269 A

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 23, 2007

Recorder Job Number: 1655

Committee Clerk Signature

*Mickie Schmidt*

### Minutes:

Chairman Belter opened the hearing on HB 1269 and asked for testimony in support of the Bill.

**Sen. Tim Mathern: (See attachment)** testified in support. This Bill would increase the amount of money that a person could have at income and still be eligible for the Homestead Tax Credit (HTC). In our State we have a variation of a stepped up scale. In section C; lines 7-8, were basically moving up the bottom line from \$8500 dollars to \$10,000 dollars and we have continually to step up to the top on the page 2, section 5; we're changing \$13,000 dollars to the top range of \$18125 dollars. So we're increasing the amount of income that person can have where in they're still eligible for the HTC. The process is they come to the Tax Assessor and apply for this credit. The Tax Assessor determines their eligibility and notifies the County Auditor.

**Connie Sprynczynatyk ND League of Cities:** testified in support. Our communities discussed this Bill specifically last Friday and he did implement a nice update of the income qualification in a place where there hasn't been an update in I don't know how many years. I remember the last several sessions we've had discussion on could we raise that income guideline and I believe that HB 1269 does that. In those packets I passed out this morning,

there is a little pamphlet about different ways that property tax relief breaks down in communities and HTC.

**Representative Pinkerton:** How is the income determined? Does that come off a line of your income tax form? Is it net or gross?

**Connie Sprynczynatyk:** That question should be asked of the Tax Dept. But that determination is made according to a formula of standard rules, etc...

**Chairman Belter:** Any other testimony in support of 1269? Is there any opposition to HB 1269? Is there any neutral testimony? Tax Dept., Marcy or Joe, could you answer some questions?

**Marcy Dickerson, State Supervisor of Assessments of the Tax Dept.:** The way the income tax or the income or the HTC is determined is there is an application and the law requires the income from all sources be considered. All sources include SS income, any wages, any interest, dividends, any farmland, all this is included whether it's net or gross depends on what you're looking at. If a person has farmland income, we would look at the net. The cost of maintaining that farmland the taxes on it, all is deducted from the gross. As far as wages are, we look at the gross wages just like you do for income tax purposes. If a person has rental income, they can deduct the cost of maintaining that rental property. So basically it's gross wages income, gross SS income, net from any business or farming. From the total of all of those types of income, the applicant can subtract the cost of medical expenses paid out of that person's own pocket and not reimbursed by insurance. They can also deduct the cost of premiums for health insurance. There is an application that each applicant has to complete and fill out and has a disclaimer that everything that they have reported to the best of their knowledge is correct.

**Vice Chairman Drovdal:** The last two sessions we had Bills introduced to increase the value of the property that would be exempt and also raise the income level. Did either of those pass?

**Marcy Dickerson:** One did pass, 2157. That raised the maximum income allowed from \$14000 to \$14500 dollars which really made little if any difference in the number of applicants who are able to qualify. The part that did make a difference was the increase the maximum value of a homestead that could be exempted. It was formerly at \$44,244 and got raised to \$67,511. So a lot more money was paid out to people. Not more people, actually we had fewer applicants last year than the year before. Many of those applicants received a bigger credit because of the amount of their homestead that was allowed to be exempted. If a person is eligible for 100% credit, in the past that was only up to \$44,444. If the house was worth any more than that, they still had to pay on whatever value there was over that amount no matter what their income was. That was changed so now anything up to \$67,511 in market value is credited for a person who qualifies for 100%. The brackets are treated accordingly.

**Representative Pinkerton:** Does this Bill change that 67.5?

**Marcy Dickerson:** No, it does not. But there is one thing I would like to mention. Out of all the HTC Bill's that are up that I've heard in the past several days, I haven't seen anything addresses the renters refund which is part of a HTC program. You might want to consider whether you want to change the income of the requirements for the renter to match the income requirements of the homeowner. Whether you want to increase the maximum amount that a renter could receive and whether you would want to put the renters on a graduating scale the way the homeowners are or if you want to leave the renters alone and just address homeowners.

**Representative Owens:** In figuring the income, you say the income minus health insurance...

**Marcy Dickerson:** All health expenses including health insurance is paid out of the applicants own pocket.

**Representative Owens:** Would that include long term care insurance?

**Marcy Dickerson:** We interpret it to include long term care and long term care insurance basically only the part that would actually refer to the care as opposed to other services that a person receives and it's just about impossible to determine how much of that insurance premium is for actual medical care and how much is for housing, bathing, feeding and whatever. The total amount of that long term care premium is allowed just because it's too difficult to try to prorate it.

**Representative Pinkerton:** If a there's family, a husband and wife that live in this home. Is it their combined incomes or primary income?

**Marcy Dickerson:** The law currently provides for the income to be at the \$14500 regardless if that's the one person or one person with dependents, which could be a spouse, a child, a disabled person not 65 years old with children, and there still is no difference in the income, but there is one applicant per family.

**Rep. Steve Zaiser:** testified in support. I have gotten more calls in my district on this particular issue. The fact that the taxes in Fargo are going up at such a rapid rate that people who've bought their homes for \$20,000-\$25,000 and have escalated in value on up to over anywhere from \$100,000-\$150,000. They have no mortgage left, they have no income, just SS, and they are not very large in many cases and people are being forced out of their homes. They would very much like to be in their homes that they have lived in all of their lives. I really think changing some of the guidelines to make a few more of those people possible to live in their home. That would be adventitious, it would improve their quality of life, save the State some

money because if they were to go into a nursing home facility or some other facility, they would be on the tax roles and we would have to pick up from there.

**Vice Chairman Drovdal:** You made the comment that the cause was because of escalating value of the property raising up your property taxes, but this doesn't deal with escalating property. It's just part of the formula. Why didn't you choose to go the income instead of the value of the property which would have solved what you're stating?

**Rep. Steve Zaiser:** Well, you're right. Basically it ends up being lower based. That's a good question.

**Chairman Belter:** any other testimony on HB 1269? If not we'll close the hearing on HB 1269.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1269 B

## House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: 2381

Committee Clerk Signature

*Mickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1269.

**Representative Weiler: I move a Do Not Pass.**

**Representative Owens: Second it.**

**Chairman Belter:** Is there any discussion?

**Representative Pinkerton:** This is a very small amount of money yet its changing \$8,000 to \$10,625. You would be transferring this to a number of poor people in ND if this is passed.

And there are a lot of poor people in ND, and I think we need to something different here.

Maybe go door to door and campaign and see these little houses and these are people over 65 years of age and they're trying to get by on 8 – 10 thousand dollars worth of income. This is something that needs to be fixed or worked with. We need to look in our hearts and see where we're at on this and with that I urge this Bill to be passed and actually I would urge that the amounts be increased.

**Chairman Belter:** Your point is well taken. Any other discussion?

**Vice Chairman Drovdal:** I worked on the Homestead Tax Credit Bill (HTC) in the last two sessions trying to get some things done and last session we did. From the testimony what I got out of it was; the problem is not so much the income, although we could do something there



maybe, the value of the home that they capped it at and we could increase his income we still have not increased the cap. So the house keeps going up in value and you still don't receive any more credit even though their income tax increased because it's maxed out at 67,500 dollars. So I think there are some more Bills coming down that I'm familiar with and that will do a lot better job addressing it in this particular Bill. And the testimony said it was the dollar amount of the value of the home that was the problem not the income. The Tax Dept. also admitted that too. I know how tough it is to get this through but I would rather work on a Bill that's got the right solution to at least addressing the right stuff, so I'm going to support the do not pass. I do support the idea behind it though.

**Chairman Belter:** Any other discussion? Will the clerk read the roll; 7-y; 3-n; 4-absent; Rep. Weiler will carry the Bill. We will close the hearing on HB 1269.

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/10/2007

Bill/Resolution No.: HB 1269

**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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$1,400,000			
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1269 expands the income levels for qualifying for the homestead property tax credit.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill increases the income limits.

**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.*

HB 1269 would increase the amount of qualifying homestead credits from \$4.5 million per biennium to an estimated \$5.9 million per biennium. This would increase state general fund expenditures by \$1.4 million for the 2007-09 biennium.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/22/2007

Date: 1-31-07  
Roll Call Vote #: 1269

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House \_\_\_\_\_ Finance & Tax \_\_\_\_\_ Committee

Check here for Conference Committee

Legislative Council Amendment  
Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Rep. Weiler Seconded By Rep. Owens

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich		
Vice Chairman Drovdal	✓		Rep. Kelsh		
Rep. Brandenburg	✓		Rep. Pinkerton		✓
Rep. Froseth	✓		Rep. Schmidt		✓
Rep. Grande			Rep. Vig		✓
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham					

Total (Yes) 7 No 3

Absent 4

Floor Assignment Rep. Weiler

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

**REPORT OF STANDING COMMITTEE**

**HB 1269: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (7 YEAS, 3 NAYS, 4 ABSENT AND NOT VOTING). HB 1269 was placed on the Eleventh order on the calendar.**

2007 TESTIMONY

HB 1269

#1 HB 1269-A  
1-23-07-AM

**House Bill 1269**  
**Finance and Tax Committee**  
**January 23, 2007**

Chairman Belter and Members of the House Finance and Tax Committee,

My name is Tim Mathern. I am the Senator from District 11 in Fargo. I speak in support of HB 1269.

Others are explaining the details of this bill, I will limit my comments to one topic; that of the consequence to the elderly when they are driven from their homes due to increase in property taxes.

In North Dakota there is often an informal network for elderly persons living in their own home. Someone makes sure the snow is cleared, someone checks to see that the paper and mail gets put away when the person is gone, a neighborhood family brings a meal when the person has been in the hospital. In summary, there is an informal support system that takes place of the extended family of yesturyear. This network developed over many years of the person being in their home and the neighbors getting to know each other.

When increased property taxes because of increasing mill levy or evaluation go beyond a fixed income ability to pay, the elderly person must sell and move to an apartment. This move destroys the informal network of supports to the person. This leads to lonliness, lack of services, and ended support relationships. The consequences are institutional care or in the worst scenario premature death.

Members of the Committee, I ask for a due pass on HB1269. This bill is not just about prpoerty tax reform, this bill is about saving neighborhoods and extending a quality life for our seniors.

Thank you.