

2019 HOUSE FINANCE AND TAXATION

HB 1041

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1041
1/8/2019
30521

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A BILL relating to the homestead tax credit for special assessments; to provide for application; and to provide an effective date.

Minutes:

Attachment 1, 2

Chairman Headland: Opened hearing on HB 1041.

Senator Unruh: Introduced bill. This bill will adjust the dollar amount people qualify for with the homestead credit for special assessments. We are adjusting the dollar amount that has never been adjusted since the program has been in place from \$6,000 to \$15,000. If this bill would pass this would be adjusted on an annual basis based on the consumer price index. We also adjusted the interest rate reducing it from nine percent to six percent. The refunds for special assessment districts are paid to homeowners who qualify if that homeowner moves from the property. A lien is taken on the property by the state then the extra money that was used for the special assessment would be paid back by the new property owner.

Chairman Headland: Is there testimony in support?

Kent Costin, Director of Finance from the City of Fargo: See written testimony attachment #1. Ended testimony at 10:42.

Chairman Headland: This is a program that hasn't been utilized. There isn't a fiscal note because there's no way of knowing how it would be utilized. Could you give us an idea of what we would be facing as far as costs?

Kent Costin: There are 600 people who would be eligible for this program. It would be difficult to know how many would choose to leverage their assets or simply pay the taxes. I think there were only about 30 people in the state who utilized this program at around \$45,000. You have to make an offer of a reasonable program then see if there is any migration of people taking advantage of it. If you changed it to how the bill is currently drafted it may take a couple years to educate people and for them to realize this is for them to use. I would suspect over time you would see utilization of the program.

Chairman Headland: I'm just trying to think how we're going to take this to the floor without knowing the cost of what kind of participation we'll have.

Representative Hatlestad: You say not very many people are using this program, is it because of the lack of knowledge that cities haven't pushed the idea?

Kent Costin: I don't know the answer to that question. I suspect that if the city folks didn't know then the general public may be even more aloof. I suspect part of it may have to do with the interest rate. If their goal was to stay in their house for 10-15 years and they didn't want special assessments to be an impediment on their living budget they could use this program as its drafted with a higher limit. At the \$6,000 limit it might get you five to seven years depending on what your assessment burden is. When thinking of senior planning it makes sense to at least provide that flexibility. They need to be educated that there are tools that could help them.

Representative Kading: If you're an eligible party and you qualify for the \$6,000 or the \$15,000 the state basically finances it, the special pays the local municipality then you get credited for that amount up to the \$6,000 or \$15,000, is that correct? The fiscal note for the state is the cost of the assessment?

Chairman Headland: I think that's correct but we'll have someone from the tax department clarify that for the committee.

Kent Costin: You have the \$15,000 for the total assessment but the annual payment is amortized over 25 years so the individual amount would be the per year amount which would be much lower. The accumulation of that is what would be funded under this bill. If they apply for homestead credit and they're eligible for special assessment those forms should be co-mingled so you can hit it all in one administrative process.

Representative Ertelt: You mentioned the construction CPI and advised to using that instead. Could you give us a more specific name for it? Is it also Midwest Regional Construction CPI or is it for the whole United States?

Kent Costin: There is a construction index. There may be a Midwest construction index. It appears that some of our local data is much higher than the regular CPI. If you used the construction index you would be indexing to the appropriate service that is being delivered. I can forward this information to you in an email.

Representative Steiner: Who's responsibility is it if they can't pay that special? Do you think the state should make that payment or would the city pay for it out of a program of their own?

Kent Costin: We already had a grant program in place that is superior to this program but it is being shut down. I suspect we will take that up and take a look at our past history to find a funding source. Special assessments are the rage now and we are doing a deep study of it. Those recommendations will be coming out in the next couple months. There is clearly a group of people that would benefit from either a grant or a loan program.

Chairman Headland: Further testimony in support?

Mike Chaussee, AARP North Dakota: Distributed written testimony, see attachment #2. Our 2014 figures show that social security recipients who rely on social security for 90% or more of their income is 23% and about 45% who rely on 50% of their income. The average social security check in 2018 data is a little more than \$1,300. At AARP we are intently focused on helping people stay in their homes for as long as possible.

Chairman Headland: Further testimony in support? Is there opposition? I think we could use some help from the tax department.

Linda Leadbetter, State Supervisor of Assessments, Office of State Tax Commissioner: The homestead credit for special assessments is a program that is administered by the tax department simply because it is a little different that the credit is paid on their behalf; it is a lien filed against the property. At the local level when someone completes an application they are made aware of the special assessments homestead credit. I believe a large part of concern comes from our response when we identify that there will be a lien filed against the property. The fiscal note will have a cost during the year that the payment is made but the intent with the lien is that if the property cannot be transferred without the satisfaction of the lien. The process now is that we receive information from the county auditor about a request for an application and is completed by us providing information to the county auditor and the property owner when they will complete a document that they understand there will be a lien filed against their property. At the time we make a payment we'll file a lien with the county recorder of that county. We will make a payment annually for them if they choose they have the payment made for them for the special assessment. It may continue annually but they may not choose to do it each year. During the interim taxation committee report we had about 30 open claims and it was about \$45,000 that had been paid by the state. Of that the interest would be compounded on that when the payments are made so there would be greater return than just the \$45,000 if those payments were made. Some of those claims go back to the early 80s so we will wonder if those liens will be able to be satisfied or if a transfer has occurred without the county informing us of that. We administer it at the state, the application is very similar that the homestead credit requirements, they must be 65 years old or older, or they must be permanently or totally disabled, and then they need the income qualifications.

Representative Kading: Just so I understand this, say there is a \$15,000 assessment, someone wants to finance it with the state, the state pays the assessment, puts a lien on the property for the balance of the assessment, then pays the note each year?

Linda Leadbetter: The process is going back to the whole idea of a special assessment. \$15,000 is the cost of the entire assessment but the state doesn't provide a payment based on that entire \$15,000, it would be the annual portion of it. The annual payment that individual would have applied to their property tax statement is already going to have the interest calculated built into it based on that \$15,000 being paid over 25 years, as in Fargo. The state would then just be paying the year that they make the application. Essentially, the state is paying for a potential future owner's share of that special assessment so it's just done on an annual basis. Almost like a reverse mortgage.

Representative Mitskog: By lowering the interest rate it will certainly become more attractive to property owners that would qualify. Do you know what the potential is on that?

Linda Leadbetter: We don't even know how many are eligible to apply. We only know if the ones that had applied what their level of eligibility is. I believe this would be more appealing if the interest rate is lower and there is a higher maximum that would allow them to go farther into a special assessment, if that is their concern. Anytime you lower the interest rate it would make it more appealing. I don't know how we could estimate it because we don't get reports on special assessments and we don't have them specifically to the homestead credit. As we consider the ones that are outstanding we may want to look at other administrative practices that would need to be changed to ensure those transfers of property could not be filed without satisfying the lien.

Representative Hatlestad: This appears to be a loan the state is giving to the individual and it would be paid back?

Linda Leadbetter: That would be the intent of it. In order for the property to be transferred to another individual the lien needs to be satisfied. If the lien is not satisfied it remains against that property so it could have an impact on someone in 20 years when they realize there's a lien filed when they try to do a transfer. The experiences we've had with the ones where the lien is not satisfied during a transfer is if there's a quick lien deed that is filed. A quick lien deed doesn't have the same requirements as doing an abstract and updating the abstract insuring there are no mortgages or liens against a property. I suspect those that are outstanding from the early 80s that there may have been a transfer of property which was transferred to that type of level so there was no abstract update. At the time of updating an abstract that lien would have to be satisfied in order for them to get a clear title to the property in the future. It is a loan.

Chairman Headland: Do you see a problem being created if the program becomes more widely used and future property sales are without updated abstracts? I wonder if we're opening up a can of worms here. I wonder if there aren't better ways to help those who really need the help.

Representative B. Koppelman: The main deterrent for using it may be the interest rate or the fact that it's a lien. Would it be a more prudent policy to simply change the interest rate and not change the cap to see if people pursue it?

Linda Leadbetter: That would give us an opportunity to see if the interest rate would make it more appealing and we would have more applicants. With the applicants we have in the program now, none of them have gotten to the \$5,000 threshold yet.

Representative Mitskog: Mr. Costin, when you're doing projects in older neighborhoods; reconstruction of sewer water, what kind of numbers are you looking at that would be assessed to older properties?

Kent Costin: I asked our special assessment group what that would be under our current policy. Our policy didn't keep up with inflation. If you don't adjust your percentages then

eventually the city pays almost everything. We did an over reach on getting a policy that was 50% city, 50% homeowner and there was quite an outcry in Fargo over that decision. The city commission immediately reversed that decision and went back to the old policy that was about 70% city funds and about 30% levy against the parcel. The burden on a reconstruction program using today's prices would be about \$15,000. The annual payment on that would be relatively small. In my opinion, you could test mark it by lowering the interest rate, leaving the base, and seeing what you get. Predominantly, it's a lien and the lien is probably the deterrent as to why this isn't very popular. People in North Dakota like to pay their taxes and are proud of their properties. There could be people who would benefit from it. If somebody had been in an old neighborhood for 35-40 years and what used to be a \$2,000 assessment when they first moved in has now become a \$15,000 assessment. The senior folks can't believe how much the assessments are but they are really only picking up 30% of the total while the city of Fargo is picking up the remaining 70 percent. We believe a lien is not popular but it's used in other states and it may be advantageous so we will support the bill no matter how it comes out.

Representative Mitskog: The goal is to keep seniors in their homes but the affordability on fixed incomes just from property taxes, let alone special assessments, is expensive. Would there be any way to find out how popular a reverse mortgage is in our state?

Mike Chaussee, AARP: I can get you that data.

Chairman Headland: Is there anything else we need clarified? Seeing none we will close the hearing on HB 1041.

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1041
1/16/2019
30914

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to the homestead tax credit for special assessments; to provide for application; and to provide an effective date.

Minutes:

Attachment 1

Chairman Headland: I believe we have an amendment to take a look at.

Representative Mitskog: Distributed a proposed amendment, see attachment #1. Read over the proposed amendment. **MADE A MOTION TO ADOPT THE AMENDMENT.**

Representative Eidson: Seconded.

Representative Steiner: Are we going back to the original bill?

Chairman Headland: Yes we're amending the bill that came out of the interim tax committee. We're dropping the interest rate from nine to six and going back to the original six that was in the bill. The League of Cities talked with Kent Costin from Fargo who thought that would work.

Representative B. Koppelman: With the amended language, all this bill does is adds an annual adjustment on the consumer price index so that going forward the six will adjust up from there? If we're not changing the percentage then the only thing left is what's on lines 12, 13, 19 thru 22 on page one, correct?

Chairman Headland: Is it still adjusting the bill annually?

Representative B. Koppelman: On line 12 where six was overstruck then 15 was added, we're getting rid of 15 going back to six. The only thing we are doing is adjusting that six from every year here on out to match an increase based on consumer price index.

Chairman Headland: That is true. We will make that adjustment. It had been in code for quite a while and there was no mechanism to adjust with the cost of living so that will be

moved up. We are also adjusting down the interest rate from nine to six on page two. Is there any further discussion?

**VOICE VOTE TO ADOPT THE AMENDMENT DATED JANUARY 16, 2019
MOTION CARRIED**

Chairman Headland: We have the amended version of HB 1041 before us.

Representative Dockter: MADE A MOTION FOR A DO PASS AS AMENDED

Representative Blum: SECONDED

Chairman Headland: Is there any discussion?

**ROLL CALL VOTE: 12 YES 0 NO 2 ABSENT
MOTION CARRIED**

Representative Eidson will carry this bill.

Ch
1/16/19
[of]

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1041

Page 1, line 12, remove the overstrike over "six"

Page 1, line 12, remove "fifteen"

Page 2, line 26, remove the overstrike over "~~in the amount of~~"

Page 2, line 26, after "nine" insert "six"

Page 2, line 27, remove the overstrike over "percent"

Page 2, line 27, remove "at the rate provided in section 47-14-05"

Renumber accordingly

Date: 1-16-19
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1041

House Finance and Taxation

Committee

Subcommittee

Amendment LC# or Description: attachment #1

Recommendation: Adopt Amendment

- Do Pass Do Not Pass
 As Amended
 Place on Consent Calendar
 Reconsider

- Without Committee Recommendation
 Rerrefer to Appropriations

Other Actions:

Motion Made By Rep. Mitskog Seconded By Rep. Blum Eidson

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland			Representative Eidson		
Vice Chairman Grueneich			Representative Mitskog		
Representative Blum					
Representative Dockter					
Representative Ertelt					
Representative Fisher					
Representative Hatlestad					
Representative Kading					
Representative Koppelman					
Representative Steiner					
Representative Toman					
Representative Trottier					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote
= Motion Carries

Dropping interest rate from 9 to 6 and going back to the original 6 that was in the bill.

Date: 1-16-19
Roll Call Vote #: 2

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1041

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: Attachment # 1

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Reconsider

Other Actions: _____

Motion Made By Rep. Dockter Seconded By Rep. Blum

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Eidson	✓	
Vice Chairman Grueneich	✓		Representative Mitskog	✓	
Representative Blum	✓				
Representative Dockter	✓				
Representative Ertelt	✓				
Representative Fisher	✓				
Representative Hatlestad	✓				
Representative Kading	✓				
Representative Koppelman	✓				
Representative Steiner	✓				
Representative Toman	✓				
Representative Trottier					

Total (Yes) 12 No 0

Absent 2

Floor Assignment Rep. Eidson

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

REPORT OF STANDING COMMITTEE

HB 1041: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1041 was placed on the Sixth order on the calendar.

Page 1, line 12, remove the overstrike over "six"

Page 1, line 12, remove "fifteen"

Page 2, line 26, remove the overstrike over "~~in the amount of~~"

Page 2, line 26, after "~~nine~~" insert "six"

Page 2, line 27, remove the overstrike over "~~percent~~"

Page 2, line 27, remove "at the rate provided in section 47-14-05"

Renumber accordingly

2019 SENATE FINANCE AND TAXATION

HB 1041

2019 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1041
2/12/2019
Job #32588

- Subcommittee
 Conference Committee

Committee Clerk: Alicia Larsgaard

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 57-02-08.3 of the North Dakota Century Code, relating to the homestead tax credit for special assessments; to provide for application; and to provide an effective date.

Minutes:

Attachments: 1

Chairman Cook was not present. Vice Chairman Kannianen took over the hearing on HB 1041.

Chairman Kannianen: Took over the hearing on HB 1041.

Emily Thompson, Legislative Council: Introduced the bill. This bill came out of the interim taxation committee. There are three separate studies of the property tax system. During the interim, the committee spent a great deal of time discussing special assessments. A part of that discussion is when we received information indicating that the amount available for the homestead tax credit for special assessments may be a bit low and the interest rate on the funds available under the credit, might be a little bit high. That is what prompted the bill draft that you have before you today. Before I walk through the changes, I want to give you a little information about the homestead tax credit. This credit allows for a reduction in the taxable value of an individual's homestead. This applies to an individual that is age 65 or older, permanently disabled, or who's household income does not exceed \$42,000 per year. An individual who qualifies for that homestead tax credit is also eligible to apply for the homestead tax credit for special assessments. In order to claim the credit in this bill, the individual must submit an application to the county auditor by February 1st of each year. That is the year when those special assessments are due. It is a yearly application. The credit under the section allows for up to \$6,000 of state paid special assessments. The state payment of special assessments creates a lean on the individual's property from which that credit amount plus interest at the current legal rate of 9%, will be satisfied if the person does not pay before the time they sell their home. As the bill was introduced, it had an increase from the current amount of \$6,000 for available credit, up to a \$15,000 cap. That is on page 1, line 12. Initially when it was introduced, that \$6,000 wording was \$15,000. There is an inflator to keep the legislative assembly from having to come back and revise that amount year after year. We did include an annual adjustment inflator looking at the consumer price

index. When this bill went to the House, that \$15,000 limit was reduced back down to \$6,000. The inflator was left in. For 2019, the credit limit will be \$6,000 for 2020 and each year after it will be \$6,000 plus whatever percentage increase that consumer price index may have changed it by. The index in the bill is for all urban consumers in the Midwest region. That is the closest to ND's general economy. That is why that specific index was chosen. During the interim the discussion was that the interest rate was a bit high for this credit as far as some of the local officials were concerned. This credit was enacted back in 1981. That was about 10 years after the homestead tax credit was enacted. At the time it was enacted in 1981, it was at 9%. That interest has not changed since. The House changed the interest rate from what was stated as the legal rate of interest provided in section 47-14-05. That legal rate of interest in code is 6%. Instead of leaving that reference to another section of law, it appears they removed that and just stated the 6%. You will see that change on page 2 line 26. That rate of interest on these homestead credits are now 6% instead of 9% under the bill draft. I would be happy to take any questions you may have.

Chairman Kannianen: So the interest rate was deemed high and then the total credits was deemed low?

Emily Thompson: That is correct. During the interim, there was some testimony received that special assessments are going up on properties. Several properties are getting very large special assessments assessed against them. Maybe that \$6,000 amount was outdated. Some individuals may be having a lot more than \$6,000 in specials. The committee went ahead and increased that to \$15,000 in the initial bill draft. On the House side, there was some testimony that the credit limit of \$6,000 in current law has never been fully claimed by an individual. They thought it was maybe the high interest rate that was keeping more individuals from using this credit rather than the low amount of available credit if that \$6,000 wasn't already being hit. By assumption, that is likely the logic the House used to bring that back down to \$6,000 in current law rather than that \$15,000 increase.

Senator Patten: The state ends up paying the taxes on the property resulting in a lean on the property for that amount. Under this, no more than \$6,000 and that 6% is going forward. Either upon death or the sale of the property, the state is able to recover whatever they paid up to the value of the home. Is that correct?

Emily Thompson: That is correct. You can think of it as a loan the state pays and then later collects.

Senator Patten: How much has it been used across the state?

Emily Thompson: Linda Leadbetter, State Supervisor of Assessments, did testify during the interim. She tried to give a projected fiscal note on this. She said there are 28 open applications for this credit among 12 different counties in the state. Some of these date back all the way to the 1980s. Some of the concern was about why this tool isn't being used for those groups that are applying for the homes to tax credit the elderly, disabled, and lower income individuals. There is a very low use of this credit. The amount paid on applications to date is \$45,187 in total for the state. She noted that none of those applications have reached that maximum credit limit of \$6,000. They determined no net fiscal impact of increasing it to

\$15,000. If you aren't using the full \$6,000 you wouldn't expect a fiscal impact to result from increasing that to \$15,000.

Senator Dotzenrod: Do we have any history on leans that were taken and then paid off? As far as the 28 open applications; I assume that there have been some where the leans were taken and then there was a death or the sale of a property which made a no longer open application. Have we had some properties that got cleared up and are no longer on that list?

Emily Thompson: Linda did indicate that during the legislative session. The committees might want to consider putting some safeguards on. She noted that there are 28 open applications. She said that considering those 1980 dates on some of those open applications, it is safe to assume that some of those properties were maybe taken out by someone who is 65 years or older in the 1980s. Luckily, that house has probably been transferred. The only catch there is if it was maybe transferred to a child or there was a quick claim deed that might not have triggered that lean to be recognized on a lean index and for the state's claim to come and retrieve that short term loan for this credit. That was the only concern. Considering the date, some of these initial credits were taken out and the fact that the leans were still out there; maybe some of those transfers were escaping the state's ability to go and grab that lean and ultimate payment. That was the extent of the data and information the tax department had.

Senator Dotzenrod: I would think that over that time, there would be some properties that would have come forward and paid back. You are saying the system doesn't have an automatic way to indicate to the state that their property has been sold or transferred.

Emily Thompson: If the property is sold using a transfer such as a warranty deed, that is automatic. That title search would ping that lean index. If it is a quick claim deed to a parent-child transfer, that wouldn't necessarily trigger that to come up on a lean index. That lean search wouldn't be done as it would on a normal sale.

Senator Dotzenrod: If that transfer was done that way and it was transferred from a parent to a child and it didn't trigger the state coming in, is that lean still collecting interest every year? Even if there is no more annual special assessment feed that are being added, I assume that indebtedness is growing. Even with that, we haven't had anything go over \$6,000.

Emily Thompson: That is correct. The interest would continue to grow year by year until that is satisfied either through the property being sold and the lean being satisfied or the home owner simply pays off that full amount of the low interest loan. I do not know if the Tax Department has any additional data on all the payments that have been made to remove the lean on properties.

Chairman Kannianen: Would you know if there is an annual statement mailed to that address? Even if it was a quick claim, would they know where the status of it was or even know of its existence?

Emily Thompson: I am not aware of those billings and how that works.

Senator Patten: I am aware that there are limitations on how long a debt can be carried on real property. There is an expiration date where the indebtedness or the lean itself will expire if it is not either activated or reauthorized or something like that. I do not know if that effects state means or not. I know from a banking standpoint, there is an expiration date on a mortgage. If it is not reauthorized after 10 or 20 years, it is no longer valid. I do not know if that would apply in this case. There may be some outstanding leans that do not carry any validity to them anymore and would be ignored in a title search as a result of that. The ones from 1984 may never be collected.

Senator Dotzenrod: It is surprising that with 28 outstanding, the dollar amount is small. That is not a lot of money. That is less than \$2,000 on average. The special assessments can add \$500 per year. I am puzzled as to why the numbers are so small.

Emily Thompson: There was a discussion on the House side that questioned why this wasn't used more. Some of the testimonies indicated that not a lot of people are real keen to take out a 9% per year loan. That does create a lean on the property that might cause some discomfort with home owners.

Bill Wocken, ND League of Cities: Testified in support of the bill. See attachment #1. There seems to be a general disuse of the program. There was a suggestion that the interest rate was the primary factor. Rather than to adjust the \$6,000 and open this thing up to a random amount, perhaps, we should just adjust the interest rate and take a look at it again in a few years to see if it makes a difference in the utilization of the program or not.

Chairman Kannianen: Any further testimony in support? Any testimony opposed? Any testimony neutral? Hearing none, we will close the hearing on HB 1041.

Senator Patten: I question the value of the program that isn't what is before us. It is whether we change the interest rate, essentially.

Senator Patten: Moved a Do Pass on HB 1041.

Senator Dotzenrod: Seconded.

Chairman Kannianen: Any Discussion?

A Roll Call Vote Was Taken: 4 yeas, 0 nays, 2 absent.

Motion Carried.

Senator Patten will carry the bill.

Date: 2-12-19
Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1041**

Senate Finance and Taxation

Committee

Subcommittee

Amendment LC# or Description:

Recommendation:	<input type="checkbox"/> Adopt Amendment	<input checked="" type="checkbox"/> Do Pass <input type="checkbox"/> Do Not Pass	<input type="checkbox"/> Without Committee Recommendation
	<input type="checkbox"/> As Amended	<input type="checkbox"/> Place on Consent Calendar	<input type="checkbox"/> Rerrefer to Appropriations
Other Actions:	<input type="checkbox"/> Reconsiderer		

Other Actions: Reconsider

Motion Made By Patten Seconded By Dotzenrod

Total (Yes) 4 No 0

Absent 2

Floor Assignment *Patten*

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

REPORT OF STANDING COMMITTEE

HB 1041, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)
recommends DO PASS (4 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING).
Engrossed HB 1041 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

HB 1041

HB 1041
#1
1-8-19

House Finance and Tax Committee

HB 1041 – Homestead Credit for Special Assessments

City of Fargo Testimony - 1/8/2019

Honorable Chair Headland and members of the House Finance and Tax Committee my name is Kent Costin, Director of Finance from the City of Fargo.

We are pleased that a bill was drafted because of our discussions about improving existing homestead credit laws that provide additional options for seniors on fixed incomes that are struggling to make end meet.

The provisions of HB 1041 will allow much more time to utilize this program and will synchronize funding to current market conditions. Changes included in the bill provide additional flexibility taxpayers struggling to pay their special assessments.

I was surprised to stumble on to the current law while preparing testimony for the Interim Taxation Committee and noticed how dated the current laws have become because of construction inflation and changes in interest rates. This summer I visited with Mike Montplaisir and asked him how often this provision of the law was being utilized. His response was “almost never” because of the 9% interest clause and the low amount of total assistance that was not large enough to sustain more than a few years annual special assessment payments.

Fargo presently has 676 people using the homestead credit for property taxes. We assume that once HB 1041 is passed that many of these individuals may consider using the homestead credit for special assessments. What a wonderful option for families to consider if their goal is to live comfortably in their own homes without having a special assessment payment.

The average annual special assessment payment for homestead credit eligible homeowners is about \$270 per year. This highest annual payment is \$2,000 and there are 130 parcels that pay from \$400 - \$2,000 per year. This bill has a funding cap that was raised from \$6,000 to \$15,000 so in essence those who take advantage of homestead credit for specials are able to protect themselves several years into the future by using this program.

Our City Commission is conducting an in depth discussion about special assessments. One of the items learned is that construction inflation appears to be much higher than the standard CPI. Our inflation rate on municipal infrastructure projects is about 9 – 10% per year, significantly higher than standard CPI. I would assume this might be similar or even higher in other parts of the State, depending upon overall market demands. We wanted to share this with you because the current bill draft is using the Midwest regional CPI to make inflation adjustments each year.

We support your efforts to provide an additional financial tool to improve the quality of life for low-income senior citizens. Thank you for the opportunity to testify.



AARP has offices in all 50 states, Washington, DC, Puerto Rico and the US Virgin Islands.

Contact Information

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AARP STATE FACT SHEET NORTH DAKOTA

AARP is working to help Americans 50+ in North Dakota live life to the fullest. We advocate for our members on critical priorities, such as strengthening Social Security, protecting seniors' access to their doctors, and ensuring all Americans have independence and choice as they age.

AARP serves as a one-stop resource for information on the age 50+ population in North Dakota and public opinion research. In addition to serving as a clearinghouse for information about older Americans, we also offer programs and tools that help Americans age 50+ make the best decisions about their health and financial security. We hope the data below and the programs on the reverse side will be helpful to you and your constituents.

AARP MEMBERS

Total number of AARP members in North Dakota: **85,624**

SOCIAL SECURITY

Social Security Beneficiaries: **125,786**

Retirees: **87,569**

Widow(er)s: **10,965**

Disabled Workers: **13,917**

Social Security recipients who rely on Social Security for 50% or more of their income: **45.3%**
Social Security recipients who rely on Social Security for 90% or more of their income: **23.1%**

MEDICARE

Total Medicare Beneficiaries: ~ **115,636**

HELPING PEOPLE LIVE INDEPENDENTLY

(Medicaid data for older adults and people with physical disabilities)

Percent of Medicaid long-term care spending for home and community-based services: **14.7%**
Percent of Medicaid long-term care spending for institutional care: **85.3%**

Estimated number of family caregivers during the year: **62,100**

Unpaid contributions of family caregivers annually are valued at: **\$860 million**

AARP: Helping Americans 50+ Live Their Best Lives

AARP is working to ensure Americans 50+ have choice, control and independence through every stage of their lives. Take advantage of these offerings that can enhance the lives of you, your family members and friends.

Getting Ready for Retirement

It's never too late to plan for retirement, and it doesn't have to be complicated. AARP offers award-winning, unbiased online tools and information that can help you make effective financial and health-related retirement decisions, such as determining how much money you will need, when to claim Social Security to maximize benefits, and how to navigate through and select Medicare choices. www.aarp.org/readyforretirement

Finding a Job or Starting a Business

Whether you're looking for a new job or thinking about starting your own business, AARP can help turn your goals and dreams into real possibilities. Check out www.aarp.org/work for tips, tools and other information on topics such as using social media to job hunt, finding a company that values your years of experience, and polishing your résumé. AARP is working with the Small Business Administration to provide mentoring and resources for people who want to start or grow a business; visit www.aarp.org/startabusiness. In addition, employers can find a variety of resources on recruiting and retaining experienced workers at www.aarp.org/employers.

Making Communities More Livable and Age-Friendly

AARP research shows that nearly 90 percent of people age 45 and older want to stay in their homes and communities for as long as possible. That's why AARP is helping cities, towns, counties and states become great places for people of all ages to live, work and play. Learn more about how communities are creating age-friendly housing and transportation options; safe, walkable streets; access to needed services; and opportunities for residents of all ages to participate in community activities. www.aarp.org/livable

Staying Ahead of the Curve with AARP Driver Safety

All drivers can sharpen their driving skills and refresh their knowledge of the rules of the road by taking the AARP Smart Driver Course, available in a classroom or online, in English or Spanish. In some states, participants may receive a multi-year auto insurance discount for completing the AARP Smart Driver Course (participants should consult their insurance agent for details). To learn more, visit www.aarp.org/drive or call 1-877-846-3299.

In addition, CarFit (www.aarp.org/carfit) can help you learn how your vehicle's design and operating features can better-fit your needs, and the We Need to Talk seminar(www.aarp.org/weneedtotalk) provide tips on how to recognize when it's time for family members to limit or stop driving, and how to discuss this topic with loved ones. Find state-specific driving information and enjoy personalized tools, games and programs at the AARP Driving Resource Center. www.aarp.org/drc

Staying Connected with Friends and Loved Ones by Sharpening Digital Skills

AARP TEK Academy can help you connect with friends, family and your passions through free, online courses on the topics of Intro to Smartphones and Tablets, Beyond the Basics with Smartphones and Tablets, Intro to Facebook and Other Social Networks, and Fraud Protection and Online Safety. In addition, AARPTEK and Kaplan University have partnered to offer LearningAdvisor, an online program offering over 33,000 courses from 20 different providers for free or at low-cost. Learn more at www.aarptek.org.

Caring for a Loved One

Caring for a family member or close friend is one of the most important —and complicated — roles you'll play. Find resources, tools, and support to help you manage the care of a loved one at www.aarp.org/caregiving or 877-333-5885.

Connect to Fun, Interactive Learning from AARP Community Programs In-Person or Online

Whether you're sharpening your skills to find a job, trying to connect with other family caregivers or want to learn how to use your mobile device, AARP Community Programs connects you to fun, interactive local events and e-learning – at no charge! Our in-person classes are offered in cities and towns nationwide, including in [insert city or state name]. You'll also find us at fairs, festivals and local events. And, you can learn online anytime through webinars, interactive videos, games, tools and online fairs. Find us in your community and access e-Learning at: www.aarp.org/academy.

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HB 1041
1-16-19

Proposed amendment for House Bill No. 1041

Page 1, line 12, remove overstrike from "six"

Page 1, line 12, overstrike "fifteen"

Page 2, line 26, remove the overstrike from "~~in the amount of nine~~"

Page 2, line 26, replace "nine" with "six"

Page 2, line 27, remove the overstrike from "percent"

Page 2, line 27, overstrike "at the rate provided in section 47-14-05"

Renumber according

2/12 HB 1041 #1 pg.1

Testimony in Support of House Bill 1041
February 12, 2019
Senate Finance and Taxation Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good Morning Mr. Chairman and members of the Senate Finance and Taxation Committee. For the record, my name is Bill Wocken and I am happy to appear in support of House Bill 1041 this morning.

House Bill 1041 seeks to make changes in the existing homestead credit for special assessment program which is found in NDCC 57-02-08.3. This program is not a very visible program. The League of Cities believes that it has merit but that some adjustments need to be made to make it more attractive and viable for those who might use it, while managing the impact of the program on the State of North Dakota.

The program is only available to those who have an approved application for the homestead credit program for real estate taxes. It can only be used to pay the current installment on a special assessment, not the balance. The total payments for any property, without regard to the number of special assessment districts in place, cannot exceed \$6,000. HB 1041, as it was originally submitted, sought to increase that amount to \$15,000.

As I understand it, the program begins with an application from the taxpayer. Once approved, the state pays the current special assessment installment (cumulatively limited to \$6,000) and takes a lien on the property to enforce repayment. It is basically a secured loan. Interest is charged at 9% (the bill as you have it before you lowers the rate to 6%) until repayment is accomplished. In an effort to ensure recovery, the county is forbidden to allow any transfer of title for the property as long as the lien is unsatisfied. The only exception is a transfer to a spouse in case of death of the taxpayer. The property is able to be taken by the state if repayment is not made.

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It is impossible to accurately predict how many applications this program might generate if it became more accessible and known to potential homestead credit applicants. There were 8,373 homestead credits granted in 2017. I am sure not all of these properties have a special assessment against them in any given year and that not everyone who has an assessment will agree to place a lien against their property to utilize this program. However, we have no way to estimate the number of potential applicants or the amount of assistance they might request.

Mr. Chairman and committee members, the League of Cities feels there is a need for this kind of assistance with special assessment installments that can be burdensome at times. These changes will help make this program more visible and functional. The North Dakota League of Cities requests a Do Pass recommendation on House Bill 1041.

Bill Wocken
North Dakota League of Cities