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FISCAL NOTE STATEMENT

House Bill or Resolution No. HB 1153

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, school districts, or townships. 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.

Sheila Sandness
Senior Fiscal Analyst

2019 HOUSE FINANCE AND TAXATION COMMITTEE

HB 1153

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1153
1/15/2019
30805

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to a partial property tax exemption for grain elevator property used for personal use; and to provide an effective date.

Minutes:

Attachment 1-2

Chairman Headland: Opened hearing on HB 1153.

Representative Brandenburg: Introduced bill. Submitted written testimony, see attachment #1. The bill says that if you have an elevator and you're not buying and selling grain but you're using it for storage then you can allow the county or the city to reduce it up to 50 percent. I ask the committee to look at this and consider cutting that tax in half or allowing the county and city to make that decision.

Chairman Headland: You're using the facility 100% for your farm use?

Representative Brandenburg: Yes I'm using it 100% for myself and my family. I don't buy or sell grain. I'm not a commercial facility nor am I competing with our local elevator.

Chairman Headland: I've seen your facility; you've also built a couple large grain bins on this leased railroad property. Are they being assessed as well?

Representative Brandenburg: I have an old elevator with storage and put a couple 60,000 bushel bins on there. If you put up a 60,000 bushel bin the tax on that is \$2,400 a year. Tax abatement for 10 years with half the tax rate is \$1,200 but I don't think they're going to give me anymore tax abatements because they are falling by the wayside. If you put a new bin up today, I'd be paying \$10-12,000 tax for an elevator that if the fire department shows up would watch it burn.

Chairman Headland: The point I want to get to is that I own a grain storage facility similar to yours and is located on my ag property but it's not being taxed. They're telling you that because where you're located they refuse to tax them as farm buildings? Why don't they qualify as farm buildings?

Representative Brandenburg: You're going to have to ask the tax department that. By law we have to follow the rules.

Chairman Headland: I think the legislative intent has always been that farm buildings are exempt. We'll try to figure out why they are not exempt from taxation and not on the tax rolls.

Representative Steiner: What would happen if you were to sell this property to someone else then they decided to make it a commercial property, how does the county get notified that it now has switched?

Representative Brandenburg: If I would sell it to someone else everybody in the town of Edgeley is watching and everyone would know it. We've fixed the property up nicely.

Representative Trottier: Did you approach the tax equalization board?

Representative Brandenburg: Yes I spoke with them and they were very helpful. There's a benefit to having the elevator in town but paying this tax is probably a bit too much.

Representative B. Koppelman: Would your change suggest this whole parcel would be taxed as farm land thus making the buildings not taxable?

Chairman Headland: I don't believe farm buildings have to be located on your farmstead to be exempt. My grain facility is not on my farmstead.

Representative B. Koppelman: If it would have been treated like a farm building would they just have taxed the farm land and not the buildings as agricultural land?

Chairman Headland: We'll find that out.

Representative Ertelt: In the bill you have the relation to the owner by blood or marriage. Is there any limit to the degree of the relation?

Representative Brandenburg: You may have to ask for clarification from legislative council. This is the legal language put in here by legislative council to not exclude in-laws who have a different name.

Chairman Headland: Is there testimony in support? Is there any opposition? Can we have a representative from the tax department come up and help us with this? Why is the building not looked at as a farm building, therefore exempt from taxation?

Dustin Bakken, Property Tax Specialist with the Office of the State Tax Commissioner: In instances where we have a commercial grain elevator or a facility like this that is located within the platted portion of a city, it has always been treated as commercial property. In order to meet the definition of agriculture land you would have to meet four out of the seven criteria stated in 57-02-01 that would flip the use from agricultural property to commercial.

Chairman Headland: Could you provide us with that list of seven criteria?

Dustin Bakken: 57-02-01 reads “property platted on or after March 30, 1981” so there may be other issues here we need to address because the property inside the city of Edgeley was probably platted before 1981.

*The list of seven criteria from 57-02-01 was distributed, see attachment #2.

In these instances, to meet four of these seven criteria would be extremely difficult within the confines of the city.

Representative Steiner: Do you have what relatives are in other laws?

Dustin Bakken: To my recollection we do not have a definition of relatives.

Chairman Headland: Is there any other area of property taxes where we’ve allowed a different use of the property to have their taxes cut in half, which this bill is asking for?

Dustin Bakken: I can’t think of any other instance but we could research the section regarding exemptions.

Chairman Headland: Could you take a look at that for us? I don’t think we want to start a precedence and carve out special uses because that just shifts the tax burden to other people.

Representative Hatlestad: Can land be rezoned that the elevator is sitting on as agriculture?

Dustin Bakken: Zoning is a separate function from assessment of property. I’m certain that the city could probably go through the zoning procedure however that wouldn’t necessarily change how we treat property as far as for property assessment. In this case, the grain elevator was the heart of the city so to classify property in the middle of a city as agricultural land may be a bit of a stretch.

Representative Trottier: Have you heard a lot of complaints on the assessments?

Chairman Headland: Yes I have.

Representative Trottier: Maybe by law they have to do it this way but anybody with common sense would see that it’s not a commercial business and assess it accordingly.

Dustin Bakken: Vanguard does quite a bit of work in the state, that is no secret. The assessments are always the opinion of the appraiser or an assessor. The essential goal is to reach that market value. You need to take in all factors that would apply to that. It’s using what data is available to determine market value.

Chairman Headland: Are there any other questions? Seeing none we will close the hearing on HB 1153.

2019 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1153
1/21/2019
31132

- Subcommittee
 Conference Committee

Committee Clerk: Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to a partial property tax exemption for grain elevator property used for personal use.

Minutes:

No attachments

Chairman Headland: This is Representative Brandenburg's elevator bill.

Representative Dockter: I understand the intent but we're just starting to carve out and make exceptions for isolated situations and I don't think that's good tax policy.

Representative Mitskog: You go through a lot of small towns and there are many abandoned elevators. Would you rather have it empty or doing something on the tax rolls?

Chairman Headland: Do you think an abandoned elevator in small towns is paying any tax?

Representative Mitskog: That's my point. An abandoned elevator is not paying any taxes. If somebody is using it for storage, then there's some taxation but not at the commercial level.

Chairman Headland: I understand the point. If it was located on his farm it would be exempt as a farm building. I understand that it's commercial property and when a farmer makes that purchase he's aware of the tax consequences.

Representative Mitskog: There are bin sites that are not on farms. How are those taxed?

Chairman Headland: There was testimony distributed listing the seven criteria of what it takes to be exempt as an ag property.

Representative Steiner: You have to meet four of the seven criteria.

Chairman Headland: Yes.

Representative B. Koppelman: I believe this property was probably platted before March 30, 1981 so I wonder if these seven criteria are relevant at all. I suggested to Representative Brandenburg to get amendments ready for the committee but I don't know that he's done that.

Representative Steiner: I'm struggling with relatives. **MADE A MOTION FOR A DO NOT PASS.**

Representative Ertelt: SECONDED

Chairman Headland: Any discussion?

**ROLL CALL VOTE: 12 YES 1 NO 1 ABSENT
MOTION CARRIED FOR A DO NOT PASS**

Representative Ertelt will carry this bill.

Date: 1-21-19
Roll Call Vote #: 1

2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1153

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

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

Motion Made By Rep. Steiner Seconded By Rep. Ertelt

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	A				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. Ertelt

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

REPORT OF STANDING COMMITTEE

HB 1153: Finance and Taxation Committee (Rep. Headland, Chairman) recommends DO NOT PASS (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1153 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

HB 1153

#1
HB 1153
1-15-19

April 11, 2018

RE: Vanguard Tax Assessment of Edgeley Bean

City of Edgeley:

This letter is to request that the City of Edgeley consider lowering the rate for smaller elevators that only handle their family storage.

I feel that the increase of Edgeley Bean by Vanguard is too high. Using the same rate as big elevators such as CHS is not accurate.

This is a problem that I have discussed with the county tax department and the county commissioners, and it seems to be unfair for taxing property.

This needs more discussion, and I would ask you to please re-consider the Vanguard increase.

Thank you,



Mike Brandenburg, President
Edgeley Bean

#2
HB 1153
1-15-19

HB 1153

57-02-01. Definitions.

As used in this title, unless the context or subject matter otherwise requires:

1. "Agricultural property" means platted or unplatted lands used for raising agricultural crops or grazing farm animals, except lands platted and assessed as agricultural property prior to March 30, 1981, shall continue to be assessed as agricultural property until put to a use other than raising agricultural crops or grazing farm animals. Agricultural property includes land on which a greenhouse or other building is located if the land is used for a nursery or other purpose associated with the operation of the greenhouse. The time limitations contained in this section may not be construed to prevent property that was assessed as other than agricultural property from being assessed as agricultural property if the property otherwise qualifies under this subsection.

a. Property platted on or after March 30, 1981, is not agricultural property when any four of the following conditions exist:

- (1) The land is platted by the owner.
- (2) Public improvements, including sewer, water, or streets, are in place.
- (3) Topsoil is removed or topography is disturbed to the extent that the property cannot be used to raise crops or graze farm animals.
- (4) Property is zoned other than agricultural.
- (5) Property has assumed an urban atmosphere because of adjacent residential or commercial development on three or more sides.
- (6) The parcel is less than ten acres [4.05 hectares] and not contiguous to agricultural property.
- (7) The property sells for more than four times the county average true and full agricultural value.

b. Land that was assessed as agricultural property at the time the land was put to use for extraction of oil, natural gas, or subsurface minerals as defined in section 38-12-01 must continue to be assessed as agricultural property if the remainder of the surface owner's parcel of property on which the subsurface mineral activity is occurring continues to qualify for assessment as agricultural property under this subsection.