

## PROPERTY TAX REFORM AND RELIEF - BACKGROUND MEMORANDUM

Section 13 of 2007 Senate Bill No. 2032 provides that the Legislative Management shall study in each interim through 2012 the feasibility and desirability of property tax reform and providing property tax relief to taxpayers of the state, with the goal of reduction of each taxpayer's annual property tax bill to an amount that is not more than 1.5 percent of the true and full value of property, and including examination of the proper measure of education funding from local taxation and state resources and the variability of funding resources among taxing districts and examination of improved collection and reporting of property tax information to identify residency of property owners with minimized administrative difficulty.

### PROPERTY TAX DETERMINATION

The property tax liability of a property owner is determined by multiplying combined mill rates for all taxing districts in which the property is located times the taxable value of the property. Although this formula is relatively simple, complexities are involved in determining the mill rate, taxable value, and tax status for the property.

All locally assessed property taxes are collected by the county and distributed among appropriate taxing districts. Property taxes are due January 1 following the year of assessment and are payable without penalty until March 1 of the year they are due. If property taxes are paid in full by February 15, the taxpayer is entitled to a 5 percent discount. Penalties begin to accrue if property taxes are not paid by March 1. Taxpayers have the option of paying property taxes in installments.

### Determination of Mill Rate

The mill rate for a taxing district is established through the budget process. Each taxing district prepares a proposed budget based on anticipated expenditures for the upcoming fiscal year. Hearings are held on the proposed budget and adjustments are made as needed. The deadline for amendments to budgets and for sending copies of the levy and budget to the county auditor is October 10. From October 10 to December 10, the county auditor prepares tax lists, which must be delivered to the county treasurer by December 10 and mailed to property owners by December 26.

The amount budgeted by a taxing district may not result in a tax levy exceeding levy limitations established by statute. Levy limitations for political subdivisions are summarized in the schedule of levy limitations prepared biennially by the Tax Commissioner's office. Since 1981 the Legislative Assembly has provided optional authority to levy taxes with a maximum amount determined by comparison with a base year levy in dollars. This method is an

alternative to the use of statutorily established mill levy limitations. From 1981 through 1996, percentage increases were allowed by law over the base year levy in dollars. The compounding of these increases allowed taxing districts to increase levies beyond the amount they would be able to levy under mill levy limitations. For taxable years after 1996, taxing districts may use the optional method to levy up to the amount levied in dollars in the base year without a percentage increase. The most significant difference between the two kinds of levy limits is that under mill levy limits a taxing district gains additional dollars of levy authority from new taxable property and increased assessed values of existing property, while under limits based on dollars levied in prior years only new taxable property increases dollars of levy authority.

To determine the mill rate for a taxing district, the county auditor determines whether the amount levied is within statutory levy limitations and, if it is, the county auditor divides the total property taxes to be collected for the taxing district by the taxing district's total taxable valuation. This generates a percentage that is the mill rate for the district. This percentage or mill rate is applied to the taxable valuation of property to determine the owner's property tax due to the taxing district.

### Assessment of Locally Assessed Property

All property in this state is subject to taxation unless expressly exempted by law (North Dakota Century Code Section 57-02-03). Real property must be assessed with reference to its value on February 1 of each year (Section 57-02-11). All property must be valued at the "true and full value" of the property (Section 57-02-27.1). True and full value is defined as the value determined by considering the earning or productive capacity, if any; the market value, if any; and all other matters that affect the actual value of the property to be assessed. For purposes of agricultural property, this includes farm rentals, soil capability, soil productivity, and soils analysis (Section 57-02-01). The assessed value of property is equal to 50 percent of the true and full value of the property (Section 57-02-01). Taxable valuation of property is determined as a percentage of assessed valuation, which is 9 percent for residential and 10 percent for agricultural, commercial, and centrally assessed property. The taxable valuation is the amount against which the mill rate for the taxing district is applied to determine the tax liability for individual parcels of property.

Residential and commercial property true and full value is established by local assessors. True and full value of railroad, public utility, airline property, and all oil or gas pipeline property is centrally determined by the State Board of Equalization.

True and full value of agricultural property is based on productivity as established through computations made by the North Dakota State University Department of Agricultural Economics based on the capitalized average annual gross return of the land. Annual gross return is determined from crop share rent, cash rent, annual gross income, or annual gross income potential. Average annual gross return for each county is determined by taking annual gross returns for the county for the most recent 10 years, discarding the highest and lowest annual gross return years, and averaging the remaining 8 years. Statistics from the most recent 10 years for prices paid by farmers are used to adjust annual gross return. Annual gross return is then capitalized using a 10-year average of the most recent 12-year period for the gross agribank mortgage rate of interest. However, the minimum capitalization rate under the formula was set at 9.5 percent for tax year 2004, 8.9 percent for tax year 2005, and 8.3 percent for tax years 2006 through 2008. Under a 2009 amendment, the minimum capitalization rate is 8 percent for 2009, 7.7 percent for 2010, and 7.4 percent for 2011. After 2011 there will be no minimum capitalization rate. Personnel from North Dakota State University determine an average agricultural value per acre for cropland and noncropland on a statewide and countywide basis. This information is provided to the Tax Commissioner by December 1 of each year and then provided by the Tax Commissioner to each county director of tax equalization. The county director of tax equalization provides each assessor within the county an estimate of the average agricultural value of agricultural lands within the assessor's assessment district. The local assessor must determine the relative value of each assessment parcel within that assessor's jurisdiction. In determining relative values, local assessment officials are to use the following considerations, in descending order of significance--soil type and soil classification data, a schedule of modifiers approved by the state supervisor of assessments, and actual use of the property by the owner.

### **Assessment of Centrally Assessed Property**

The owner of centrally assessed property must file an annual report with the Tax Commissioner by May 1. The Tax Commissioner prepares a tentative assessment for the property by July 15. Notice of the tentative assessment is sent to the property owner at least 10 days before the State Board of Equalization meeting. On the first Tuesday in August, the State Board of Equalization meets to receive testimony on the value of centrally assessed property and to finalize assessments. The Tax Commissioner certifies the finalized assessments to the counties to reflect the portion of centrally assessed property for each property owner which is taxable in that county.

Airlines serving North Dakota cities pay a property tax computed by averaging mill levies in all the cities served by an airline and applying the average levy

against the taxable valuation of property of the airline in North Dakota. Taxes imposed on an airline are collected by the State Treasurer and distributed to the cities in which the airline operates to be used exclusively for airport purposes.

### **Payments In Lieu of Taxes**

State law provides that some enterprises make payments in lieu of taxes rather than paying property taxes. Mutual or cooperative telephone companies and investor-owned telephone companies pay a tax of 2.5 percent of adjusted gross receipts. This tax is paid to the Tax Commissioner and allocated among counties.

Through 2009 rural electric cooperatives paid a 2 percent gross receipts tax in lieu of property taxes for all property except land. Beginning in 2010, enactment of 2009 Senate Bill No. 2297 changed taxation of rural electric cooperatives from a gross receipts tax to a transmission line mile tax of \$50 to \$600 per mile and a tax of \$1 per megawatt-hour for retail sales to consumers in this state. Revenues from the tax are still considered payments in lieu of taxes and will be allocated to political subdivisions based on location of transmission lines and, for distribution lines, based on location of distribution lines and sales from those lines. Rural electric cooperatives with generating facilities are subject to a transmission line tax of \$225 to \$300 per mile in lieu of property taxes on transmission lines of 230 kilovolts or more.

Coal conversion facility taxes and oil and gas gross production taxes are paid in lieu of property taxes. These taxes are allocated by state law and provide revenues to affected taxing districts.

Property owned by certain state agencies, nonprofit entities, and agencies and instrumentalities of the federal government are subject to payments in lieu of property taxes. Mobile homes, certain pipelines, certain transmission lines, and certain forest lands are subject to payments in lieu of property taxes. New and expanding business may be granted the right to make payments in lieu of property taxes under Section 40-57.1-03.

## **PROPERTY TAX STATISTICS AND POLITICAL SUBDIVISION REVENUES**

In taxable year 2010, political subdivisions levied almost \$814 million in property taxes and special taxes. The constitutional one-mill levy for the State Medical Center was imposed in the amount of \$2.3 million, bringing the total property and special taxes imposed to more than \$816 million. The following table shows the percentage of this amount levied by each type of political subdivision and the percentage increase in property taxes and special taxes levied by each type of political subdivision from 2001 through 2010. Because the State Medical Center levy is always imposed at a rate of one mill, the 67.5 percent increase shown in the table for the State Medical Center can be assumed to be

approximately equal to the increase in taxable valuation in property statewide.

	Percentage of Statewide Property Taxes and Special Taxes <sup>1</sup> Levied in 2010	Percentage Increase in Property Taxes and Special Taxes <sup>1</sup> Levied 2001 Through 2010
School districts	45.14%	9.9%
Counties	29.86%	69.9%
Cities	15.37%	57.5%
City park districts	5.51%	81.4%
Townships	2.23%	48.9%
Rural fire protection	0.83%	91.8%
Garrison Diversion	0.25%	80.3%
Soil conservation districts	0.36%	192.6%
State Medical Center	0.32%	67.5%
Other <sup>2</sup>	0.13%	68.8%
Tax increment districts	N/A <sup>3</sup>	79.7%
Special assessments	N/A <sup>3</sup>	65.0%

<sup>1</sup>"Special taxes" include mobile home taxes, rural electric cooperative taxes, woodland taxes, and payments in lieu of taxes.

<sup>2</sup>"Other" includes West River/Southwest Water Authority, hospital districts, rural ambulance districts, and recreation service districts.

<sup>3</sup>Tax increment district and special assessment collections are almost entirely included in city levies reflected in this table. They are included here only to show the relative rate of increase.

### State Funding to Political Subdivisions

A schedule showing major state appropriations and revenue allocations for direct assistance to political subdivisions covering biennial assistance from 2001-03 through 2011-13 is attached as an [appendix](#). Comparison of appropriations and revenue allocations for 2001-03 and 2011-13 bienniums shows an increase of 145 percent in state appropriations and revenue allocations to political subdivisions over that time period. This can be compared with an increase of 38 percent in political subdivisions' property taxes and special taxes levied from 2001 to 2010. The Legislative Assembly has taken action by providing property tax relief and other assistance to reduce the property tax burden. Appropriations by the state in 2009 marked the first time in many years that state appropriations and revenues to political subdivisions increased at a faster rate than political subdivisions' property taxes and special taxes levied. For example, from 1994 to 2007 property taxes and special taxes levied by political subdivisions increased 95.9 percent while state appropriations and revenue allocations to political subdivisions increased by 83.6 percent. Most of the increase in state appropriations and revenue

allocations to political subdivisions is attributable to enactment of 2009 Senate Bill No. 2199 and 2011 House Bill No. 1047, which provided property tax relief by appropriating \$295 million for the 2009-11 biennium and \$342 million for the 2011-13 biennium for allocation to school districts to reduce school district property taxes, 2011 appropriation increases for state school aid per student totaling approximately \$167 million more than in the 2007-09 biennium, 2011 appropriations of \$167 million for local transportation projects, 2011 energy development impact grants increases totaling nearly \$100 million, and very significant increases in state aid distribution fund and oil and gas gross production tax allocations.

### Home Rule Sales Taxes

Another significant source of revenue for 113 cities and four counties is revenue from home rule sales taxes. Grand Forks imposed the first city home rule sales tax in 1985. In 1990 six cities imposed home rule sales taxes. By 1996 home rule sales taxes had become a significant revenue source. The following table illustrates the growth in home rule sales tax collections:

Fiscal Year	Local Sales and Use
1996	\$36,534,413
1997	\$45,184,127
1998	\$48,929,646
1999	\$54,058,001
2000	\$58,711,263
2001	\$66,961,363
2002	\$65,368,838
2003	\$73,666,551
2004	\$68,644,864
2005	\$78,761,154
2006	\$87,563,544
2007	\$92,143,032
2008	\$96,566,720
2009	\$108,174,716

### SPECIAL ASSESSMENTS

A significant source of revenue to cities is from special assessments imposed. From 2001 to 2010, special assessments imposed statewide increased by 65 percent, and it appears there are varying levels of reliance on special assessments revenue among cities. For example, on a statewide basis almost \$9 in property taxes is collected for every \$1 collected in special assessments. In 11 counties, the ratio is more than \$50 in property tax collections for each \$1 in special assessments collections. In Stark County, the ratio is 55-to-1, Ward County 33-to-1, Ramsey County 28-to-1, Grand Forks County about 9.8-to-1, Morton County about 5.3-to-1, Cass County about 4.6-to-1, and Traill County about 4.5-to-1.

### RESOURCES

The statistical information in this memorandum was drawn from the *2010 Property Tax Statistical Report* and *State and Local Taxes 2008* (Red Book) prepared by the Tax Commissioner's office. These

publications contain a wealth of information about property taxes and other tax types in North Dakota.

## PROPERTY TAX RELIEF LEGISLATION

### 2007 Senate Bill No. 2032

Senate Bill No. 2032 (2007) was recommended by the 2005-06 interim Finance and Taxation Committee. As introduced, the bill provided a general fund appropriation of approximately \$74 million for property tax relief and provided for allocation of the appropriated amount among school districts. The bill provided adjustments to reduce school district property tax levy authority by the amount of property tax relief to be received by each school district. The bill established an allocation process based on the number of mills levied by each school district above 111 mills.

Senate Bill No. 2032 was the subject of extensive discussion and amendments. On the final day of the legislative session, the bill was passed in a form substantially different from the bill as introduced. The bill as enacted contained the following provisions regarding property taxes, income taxes, and funding:

#### Property Tax

1. Homestead property tax maximum income eligibility for persons 65 years of age or older or permanently and totally disabled was increased from \$14,500 to \$17,500. The maximum value of property exempt under the homestead property tax credit was increased from \$67,511 to \$75,000.
2. The amount of an assessment increase for property which triggers the requirement for written notice to a property owner was reduced from a 15 percent increase to a 10 percent increase. The time the notice of assessment increases must be delivered to property owners was increased from 10 days to 15 days before the meeting date of the local board of equalization.
3. After June 30, 2007, in any school district election for approval by electors of unlimited or increased general fund levy authority, the ballot must specify the number of mills, percentage increase in dollars levied, or that unlimited levy authority is proposed for approval and the number of taxable years for which the approval is requested. The length of time electors can authorize unlimited or increased school district general fund levy authority was limited to not more than 10 taxable years. The number of petition signatures required to place the question of discontinuing increased or unlimited school district general fund levy authority on the ballot was reduced from 20 percent of the persons in the school census to 10 percent of the number of electors who cast votes in the most recent school district election.

4. Real estate and mobile home tax statements must include, or be accompanied by a separate sheet with, three columns showing for the year of the tax statement and the two preceding tax years the property tax levy in dollars against the property by the county and school district and any city or township that levied taxes against the property.

#### Income Tax

1. An income tax marriage penalty credit of up to \$300 per couple was provided to offset any marriage penalty incurred for couples with incomes up to \$154,200. The credit is determined by comparing the tax on the couples' joint North Dakota taxable income and the tax that would apply if the couples' income were separated and taxed at the single filer rate.
2. A homestead income tax credit was provided for individuals for taxable years 2007 and 2008 in the amount of 10 percent of property taxes or mobile home taxes that became due during the tax year and were paid on the individual's homestead. This credit was effective only for the 2007 and 2008 taxable years and was not extended by any 2009 legislation. It appears this credit can now be repealed. Property taxes eligible for the credit did not include special assessments. For purposes of the credit, "homestead" means the dwelling occupied as a primary residence in this state and any residential or agricultural property owned by the individual in this state. The amount of the homestead income tax credit for a year could not exceed \$1,000 for married persons filing a joint return or \$500 for a single individual or married individuals filing separate returns.

The amount of the homestead income tax credit exceeding the taxpayer's income tax liability could be carried forward for up to five years or the taxpayer could request that the Tax Commissioner issue the taxpayer a certificate in the amount of the excess. A certificate issued to a taxpayer could be used by the taxpayer against property or mobile home tax liability during the ensuing taxable year by delivering the certificate to the county treasurer of the county in which the taxable property or mobile home is subject to taxes. The county treasurer was to forward certificates redeemed in payment of tax obligations to the Tax Commissioner, who issued payment to the county in the amount of the certificates.

Persons owning property together were entitled to only one credit for that parcel of property, so the credit may be shared between or among them. Persons owning property together were each entitled to a

percentage of the credit for a single individual equal to their ownership interests in the property. There was no limit on the number of parcels of taxable property for which an individual could claim the credit.

3. A commercial property income tax credit was provided for an individual or corporation for taxable years 2007 and 2008 in the amount of 10 percent of commercial property taxes or commercial mobile home taxes that became due during the income tax year and have been paid. This credit was effective only for the 2007 and 2008 taxable years and was not extended by any 2009 legislation. It appears this credit can now be repealed. Property taxes eligible for the credit did not include special assessments. The amount of the credit for commercial property for a year could not exceed \$1,000 for any taxpayer and was limited for individuals to \$1,000 for married persons filing a joint return or \$500 for a single individual or married individuals filing separate returns.

The amount of the commercial property income tax credit exceeding the taxpayer's tax liability was allowed to be carried forward for up to five years.

Persons owning property together were entitled to only one credit for that property, so the credit may be shared between or among them. Persons owning property together were each entitled to a percentage of the credit equal to their ownership interests in the property. There was no limit on the number of parcels of taxable property for which a corporation or individual could apply.

A passthrough entity entitled to the commercial property income tax credit was required to allocate the amount of the credit to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

### Funding

1. An appropriation of \$3,604,000 was provided to the Tax Commissioner for enhanced funding for the expansion of the homestead tax credit for the 2007-09 biennium.
2. An appropriation of \$1.1 million was provided to the Tax Commissioner for the administrative costs related to the property tax and income tax changes made by the bill.
3. A transfer of \$115 million was made from the permanent oil tax trust fund to the state general fund to offset the anticipated revenue loss to the state general fund from the income tax credits provided by the bill for the 2007-09 biennium.

### Administrative Difficulties

The 2007-08 interim Taxation Committee monitored the delivery of property tax relief under Senate Bill No. 2032. The Tax Department was given the responsibility of administering the income tax credits. During the interim, the Tax Department expressed the opinion that the department does not believe that the income tax is the proper vehicle to provide property tax relief. The Tax Department identified the following difficulties:

1. Property tax was restricted to individuals with a primary residence in North Dakota. Residential and agricultural property held by a trust, estate, or corporation or other entity other than an individual was ineligible for relief. The homestead income tax credit did not provide statutory language to allow owners or members of a passthrough entity to claim a credit. Many property owners in the farming industry did not receive property tax relief for agricultural property because partnerships, S corporations, or limited liability companies owning agricultural property were ineligible for the credit.
2. Individuals residing outside North Dakota were not eligible for the property tax relief even though they own residential or agricultural property in this state, pay property taxes, and pay income taxes in this state. Many negative comments were received from nonresidents. A nonresident was allowed to claim the credit for commercial property in North Dakota.
3. For individuals not subject to a North Dakota income tax filing requirement or whose income tax liability is exceeded by the property tax relief credit, certificates had to be developed to be redeemed by the county treasurer. This certificate was available only for residential or agricultural property owners and not for commercial property owners. Administration of the certificate and redemption process was complicated, and for property consisting of a combination of commercial and agricultural or residential property, eligibility for the credit was uncertain.
4. Property owned by joint owners created difficulty because property tax statements are mailed to only one of the owners of jointly held property. As a result, one or more owners may not have had access to the information they needed to claim the credit for their share of the property taxes.
5. Property tax classification issues created confusion for taxpayers and administrators of the credit.
6. Tax Department efforts to notify taxpayers of potential eligibility for the homestead credit were complicated for those individuals owning property in the state and paying property taxes but not subject to an income tax filing requirement. Because these individuals had

not filed income tax returns in the recent past, they were not in the Tax Department "system," so it is likely the Tax Department was unable to advise these individuals directly of the possible eligibility for the credit.

The 2007-08 interim Taxation Committee, in deference to a proposed property tax relief approach being developed by the Governor, made no recommendation on extending property tax relief. During the interim, the Governor announced the intention to introduce legislation to provide \$200 million or more for statewide school district mill levy reductions in 2009-11. In addition, the option of providing property tax relief through the income tax credit was complicated by the pending initiated measure No. 2 on the 2008 general election ballot which would have reduced individual income tax rates by 50 percent and greatly increased the number of certificates issued to taxpayers who have property tax credits exceeding income tax liability. Measure No. 2 on the general election ballot was defeated, but the election was held after the final meeting of the interim Taxation Committee.

Remedial legislation (House Bill No. 1448) was enacted in 2009 to allow estates and passthrough entities to claim the credit to which they would have been entitled under the 2007 legislation by claiming the credit against 2009 tax liability. There was no legislation considered in 2009 to extend the income tax credit for property tax payments other than the remedial legislation.

### **2009 Senate Bill No. 2199**

Senate Bill No. 2199 (2009) was not introduced at the request of the Governor but was the product of the Governor's previously announced intention to introduce legislation to provide funding from the state for statewide school district mill levy reductions.

Senate Bill No. 2199 provided property tax relief by appropriating \$295 million for the 2009-11 biennium for allocation to school districts to reduce school district property taxes. The bill provided for a reduction of up to 75 mills in school district property tax levies and replacement of the revenue to school districts through mill levy reduction grants. The bill eliminated authority for unlimited levy approval for school districts. The bill established a deadline of 2015 for school districts with existing voter-approved excess levies or unlimited levies to obtain voter approval for continuation of a levy of up to a specific number of mills. If voter approval is not obtained by 2015, the school district levy limitation will be subject to statutory provisions allowing the option of a levy based on the number of dollars levied by the school district in the highest of the most recent three years or a levy within the 185-mill general fund levy limitation.

The bill also provided for transfer of \$295 million in 2010 from the permanent oil tax trust fund to the property tax relief sustainability fund to be used for property tax relief allocations after the 2009-11 biennium.

### **2011 House Bill No. 1047**

The 2009-10 interim Taxation Committee recommended extension of the 2009 property tax relief legislation, and the recommendation was introduced as 2011 House Bill No. 1047. The bill was amended by the Legislative Assembly to incorporate income tax and financial institution tax relief provisions.

House Bill No. 1047 provides property tax relief by appropriating \$341,790,000 for the 2011-13 biennium for allocation to school districts to reduce school district property taxes. The bill provides for a reduction of up to 75 mills in school district property tax levies and provides for replacement of the revenue to school districts through mill levy reduction grants. The bill provisions are essentially the same as the 2009 provisions except the 2011 bill limits the grant to a school district so the current year grant to a school district may not exceed the grant in the preceding school year by more than the percentage increase in statewide taxable valuation, provides for recognition and adjustment for certain property types that are not subject to traditional property taxes but which provide revenue to school districts, and makes clear that a school district that does not receive voter approval for extension of authority to levy in excess of statutory mill levy limitations may retain the authority to levy based on the highest dollar amount levied in the most recent three previous years.

House Bill No. 1047 was amended to reduce individual income tax rates by 17.9 percent, which is expected to reduce state general fund revenues \$120 million for the 2011-13 biennium. The bill reduces corporate income tax rates by 19.5 percent, resulting in an anticipated reduction state general fund revenues of approximately \$25 million for the 2011-13 biennium. The bill reduces the financial institutions tax rate from 7 percent to 6.5 percent. Only the state general fund share of tax revenue is impacted by the financial institutions tax rate change, resulting in an estimated state general fund revenue reduction of approximately \$2,125,000 for the 2011-13 biennium.

### **Other 2011 Property Tax Legislation**

**House Bill No. 1194** provides that a taxing district may not impose a property tax levy exceeding a zero increase number of mills unless the taxing district publishes newspaper notice of a public hearing on the property tax levy and conducts that hearing. For purposes of the requirement, "zero increase number of mills" means the number of mills against current taxable valuation, excluding consideration of new growth, which provides the same amount of property tax revenue as the property tax levy in the prior year.

**House Bill No. 1144** allows a city or county to impose crew housing permit fees for lodging units or skid units that are not taxable as real property or as mobile homes. The bill allows the city or county to establish reporting requirements for crew housing facilities within the jurisdiction of the county or city.

**Senate Bill No. 2049** provides that property is not eligible for the property tax exemption for charitable property if that property is residential rental units leased to tenants based on income levels that enable the owner to receive a federal low-income housing income tax credit.

**House Bill No. 1223** provides a property tax exemption for the leasehold interest in property leased by a political subdivision from another political subdivision.

**House Bill No. 1246** expands the property tax exemption for church property from the current limitation of two acres of exempt property to now provide exemption for buildings used for religious services and dwellings used for the residence of the minister in charge of services plus the land directly under those buildings and parking and landscaping and sidewalk adjoining the main church building plus up to a maximum of two additional acres. If the residence of the minister in charge of services is on property not adjacent to the church, that residence and up to two acres of land on which it is located is exempt.

**Senate Bill No. 2294** is intended to improve administration and uniformity of property tax assessments. The bill provides an updated process for ordering and conducting large-scale new assessments within deadlines intended to provide a realistic time frame for completing assessment work. The bill provides the State Board of Equalization additional authority to ensure property assessment equalization is taking place throughout the state and among jurisdictions. The State Board of Equalization is given authority to determine the classification and tax status of property, equalize classification and tax status of property among assessment districts of the same county and among different counties of the

state, order reviews of property to verify accuracy of assessments and property taxes, and pursue a remedy if a county or county official fails to follow orders of the State Board of Equalization. The bill expands record requirements for local assessment officials. The bill provides for suspension or revocation of a local assessment official's certificate by the Tax Commissioner for failure to comply with law or perform duties provided by law.

### **SUGGESTED STUDY APPROACH**

In addition to considering property tax reform and property tax relief issues, the study directive requires the committee to consider these issues:

1. Monitoring property tax effects of 2011 House Bill No. 1047. This will require careful review of 2011 property tax levy data, which should become available by the next committee meeting.
2. The goal of reduction of each taxpayer's annual property tax bill to an amount that is not more than 1.5 percent of the true and full value of property. This will also require analysis of 2011 property tax levies and relative tax burden for different property types.
3. The proper measure of education funding from local taxation and state resources.
4. The variability of funding resources among taxing districts.
5. Improved collection and reporting of property tax information to identify residency of property owners with minimized administrative difficulty.

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