

PROPERTY TAX SYSTEM - BACKGROUND MEMORANDUM

Section 18 of 2017 Senate Bill No. 2206 ([Appendix A](#)) provides for a Legislative Management study of the property tax system, with emphasis on the feasibility and desirability of providing property tax reform and relief. The study also must include consideration of all property classifications and taxing districts, historical fluctuations in property values, the processes and procedures available to taxpayers to contest valuations and assessments, the process of determining taxing district budgets, the manner in which property tax information is provided to taxpayers, taxpayer participation and input in the property tax system, and the transparency of the property tax system.

While aspects of the property tax system have been studied several times in the past, issues pertaining to property valuation, taxing district budgets, and property tax liability continue to raise concerns among taxpayers. The discussions that took place during the hearings on Senate Bill No. 2206, which provides tax relief through temporary state funding of county social service costs, highlighted a continued desire to review and study these issues.

PROPERTY TAX OVERVIEW

Property tax is levied in every state and provides a vital source of revenue for local governments. In North Dakota alone, nearly \$969 million in property tax was levied for payment in 2016. Property tax is levied on real property, personal property, or both depending on the state (see memorandum [19.9096.01000](#) for a state-by-state summary). Real property generally consists of land and permanent improvements, while personal property can include items such as automobiles, livestock, and equipment. The tax on personal property was abolished in North Dakota in 1970 through the passage of 1969 Senate Bill No. 137, and a reimbursement formula was developed to redirect a portion of sales and use tax revenue to taxing districts to make up for lost personal property tax revenue. In 1981 the Legislative Assembly substantially restructured real property taxation by creating a new property classification system and developing procedures for establishing a property's true and full value, assessed value, and taxable value.

The valuation procedures developed in 1981 are still in use, and mark the first step in the property tax cycle. The steps that follow include notifying property owners of increased valuations, hearing property owner objections, equalizing property values, holding budget hearings, completing tax lists, and mailing property tax statements. Various dates and deadlines accompany each step in the property tax cycle, a full listing is available in memorandum [19.9095.01000](#). The property tax dates and procedures referenced in this memorandum include changes to various notice, hearing, and assessment dates resulting from the passage of 2017 Senate Bill No. 2288, which is effective for taxable years beginning after December 31, 2017.

CLASSIFICATION AND VALUATION

North Dakota Century Code Chapter 57-02 outlines the practices and procedures for property assessment and provides all property in this state is subject to taxation unless expressly exempted. The first step in calculating a property's taxable valuation is determining the property's true and full value. The methods used to determine a property's true and full value depend on the property's classification. A property is classified as either residential, commercial, agricultural, or centrally assessed. The "true and full value" of a property is 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. For purposes of agricultural property, this includes farm rentals, soil capability, soil productivity, and soils analysis.

Assessors use a property's true and full value to calculate the property's assessed value. The assessed value of property is equal to 50 percent of the property's true and full value. The taxable value of the property is determined as a percentage of assessed value, which is 9 percent for residential and 10 percent for agricultural, commercial, and centrally assessed property. Applying these calculations, a parcel of residential property with a true and full value of \$100,000 would have an assessed value of \$50,000 and a taxable value of \$4,500.

The true and full value of residential and commercial property is determined by local assessors and represents the assessor's estimate of the property's market value. Local assessors meet with the county auditor on or before the second Wednesday in February to discuss their assessment duties, which must be completed before April 1 of each year. Owners of locally assessed property receive notice from local assessors if the true and full value of their parcel has increased by \$3,000 or more and 10 percent or more from the previous year. The notice must be delivered at least 15 days before the meeting of the local board of equalization. If the increase is a result of action by the local board of equalization, notice of the increase must be delivered within 15 days following the meeting of the local board. If the increase is a result of action by the State Board of Equalization, notice of the increase must be delivered within 30 days following the meeting of the board.

The true and full value of agricultural property is based on productivity and is calculated by North Dakota State University using the capitalized average annual gross return of the land. Annual gross return is determined from crop share rent, cash rent, or a combination thereof. Annual gross return must be reduced by estimated property taxes and crop marketing expenses incurred by farmland owners renting their lands on a cash or crop share basis. The 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. 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, the local assessors must consider, 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.

The true and full value of railroad, public utility, airline, and oil or gas pipeline property is centrally determined by the State Board of Equalization. The owner of centrally assessed property files an annual report with the Tax Commissioner by April 15 and the Tax Commissioner prepares a tentative assessment for the property by June 15. Owners of centrally assessed property receive notice from the Tax Commissioner of their tentative property assessment at least 10 days before the State Board of Equalization meeting.

EQUALIZATION AND ABATEMENTS

A property owner dissatisfied with the valuation of property has the right to contest the assessment to the local, county, and state boards of equalization or through the tax abatement process. Equalization is the process provided by law to adjust property assessments to be consistent with market value or agricultural value. A property owner may present evidence to the local board of equalization to argue for a reduction in the valuation of the person's property. A property owner initially may present concerns to the local township or city board of equalization, which meets to review property valuations in April of each year. A property owner may appeal the property valuation to the county board of equalization and then the State Board of Equalization. The county board of equalization meets in June to equalize values among assessment districts within the county and the State Board of Equalization meets in July and August. The State Board of Equalization meets on the second Tuesday in July to receive testimony on the value of centrally assessed property and finalize assessments. Finalized assessments are certified by the Tax Commissioner to the counties to reflect the portion of centrally assessed property for each property owner which is taxable in that county. The board meets on the second Tuesday in August to address locally assessed property and equalize values among counties and districts within a county. The county auditor is required to adjust the valuation of each tract or lot of property in the auditor's county in accordance with the determinations made by the State Board of Equalization.

In place of the more informal equalization process, a property owner may elect to use a more formal appeal process in contesting a property tax assessment. A property owner may commence the abatement process by filing an application for abatement and refund of taxes. Several layers of review are involved in the abatement process, which may culminate in appeal of the decision of the board of county commissioners to the district court and then to the North Dakota Supreme Court. Several statutory grounds exist for granting an abatement, including invalid, inequitable, or unjust assessments. Other grounds for abatement include erroneous computation of the tax, assessment of improvements that did not exist on the assessment date, assessment of exempt property, assessment of damaged or destroyed improvements, and assessment of the same parcel more than once.

TAXING DISTRICT BUDGETS

Once valuations are finalized following the equalization process, each taxing district prepares a preliminary budget based on anticipated expenditures for the upcoming year. Preliminary budgets must be delivered to the county auditor by August 10, along with notice of the date, time, and location of the taxing district's public budget hearing. The county treasurer provides written notice of taxing district budget hearings to property owners on or before August 31. The written notice also contains information regarding the location at which a property owner may view the taxing district's preliminary budget, the estimated true and full value of the owner's property, the dollar amount of tax levied against the property in the immediately preceding taxable year and the estimated amount to be levied for the current taxable year, the difference between the prior year levy and current year estimated levy in dollars, information regarding state-provided property tax savings, and notice that citizens may present oral or

written comments regarding each taxing district's property tax levy. Taxing district budget hearings must be scheduled for no earlier than September 7, and no later than October 7.

A taxing district's preliminary budget may be adjusted based on input received at the public hearing and is further adjusted by deducting all non-property tax revenue, including state aid and the taxing district's unobligated cash balances. The amount remaining after adjustments and deductions equals the amount of property tax revenue required by the taxing district (the taxing district's levy in dollars). The deadline for taxing districts to amend budgets and send copies of the levy and budget to the county auditor is October 10.

PROPERTY TAX DETERMINATION

The amount budgeted by a taxing district may not result in a tax levy exceeding levy limitations established by statute. The Tax Commissioner prepares a Schedule of Levy Limitations, which is available on the Tax Commissioner's website. The Schedule of Levy Limitations outlines the maximum number of mills a taxing district may levy for specified purposes. The 2015 Legislative Assembly, through Senate Bill No. 2144, substantially revised taxing district levy authority by consolidating various individual levies for counties, cities, townships, and other political subdivisions and repealing unused levies. Following a phased transition period, the bill limits counties to levying no greater than 60 mills for county general fund purposes, cities to levying no greater than 105 mills for city general fund purposes, and park districts to levying no greater than 38 mills. Though the maximum number of mills a taxing district may levy is uniform, the amount of revenue generated per mill varies between taxing districts.

One mill is equal to one-tenth of one cent, or \$1 for each \$1,000 of taxable value. Thus, a levy of one mill will raise more property tax revenue in a taxing district with a higher taxable value than it will raise in a taxing district with a lower taxable value. For instance, one mill levied in a taxing district containing properties totaling \$100,000 in taxable value will raise only \$100 in property tax revenue while one mill levied in a taxing district containing properties totaling \$200,000 in taxable value will raise \$200 in property tax revenue. To raise the same dollar amount of property tax revenue, the taxing district with the lower taxable value would have to levy twice the number of mills as the taxing district with the higher taxable value.

To determine the overall mill rate for a taxing district, the county auditor verifies that the amounts levied are within statutory levy limitations and divides the total amount of property tax revenue required by the taxing district by the total taxable value of all property in the taxing district. The resulting mill rate is multiplied by the taxable value of a property owner's parcel to determine the amount of property tax owed by the property owner.

The tax due on airline property is calculated in a slightly different manner by averaging the mill levies in all of the cities served by the airline and then multiplying the average levy amount by the taxable valuation of the airline property.

The deadline for the county auditor to deliver property tax lists to the county treasurer is December 10. The county treasurer has until December 26 to mail a property tax statement to the owner of each parcel of real property. Property statements must include the true and full value of the property; the total mill levy applied to the property; the amount of tax levied in dollars against the parcel by the county, school district, city, and township for the current year and the 2 immediately preceding taxable years; and the dollar amount of property tax savings realized by the property owner in the form of legislative tax relief.

PAYMENT OF TAX AND PAYMENTS IN LIEU OF TAXES

Property taxes are due January 1 following the year of assessment and are payable without penalty until March 1 of the year in which due. If property taxes are paid in full by February 15, the property owner is entitled to a 5 percent discount. Penalties begin to accrue if property taxes are not paid by March 1. A property owner has the option of paying property taxes in installments. All locally assessed property taxes are collected by the county and distributed among appropriate taxing districts. Taxes imposed on an airline are collected by the Tax Commissioner and remitted to the State Treasurer for distribution to the cities in which the airline operates.

State law provides 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 on property used in two-way communications service. This tax is paid to the Tax Commissioner and allocated among counties. Coal conversion facility taxes and oil and gas gross production taxes also are paid in lieu of property taxes. These taxes are allocated by state law and provide revenues to affected taxing districts.

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 distribution tax of \$0.80 per megawatt-hour for retail sales to consumers in this state. Revenues from the tax are considered payments in lieu of taxes and are 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 \$300 per mile in lieu of property taxes on transmission lines of 230 kilovolts or more.

Wind turbine electric generation units not taxed under Chapter 57-06 are subject to a tax of \$2.50 per kilowatt times the rated capacity of the wind generator and a tax of one-half of one mill per kilowatt-hour of electricity generated by the wind generator during the taxable period. Grid-connected generators that are part of a project with generation capacity of 100 kilowatts or more, not produced from wind or produced from coal not subject to the coal conversion taxes under Chapter 57-60, are subject to a tax of \$0.50 per kilowatt times the rated capacity of the generation unit and a tax of one mill per kilowatt-hour of electricity generated by the production unit during the taxable period.

Property owned by certain state agencies, nonprofit entities, and agencies and instrumentalities of the federal government also 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

The Tax Department provides a variety of property tax statistics in its biennial report *State and Local Taxes: An Overview and Comparative Guide* (the Red Book). Attached is a summary ([Appendix B](#)) included in the Tax Department's 2016 Red Book, which provides a detailed accounting of the amount levied in each county in taxable years 2012 through 2015, payable in years 2013 through 2016. [Appendix B](#) shows that in taxable year 2015, \$968,981,591 in property tax was levied for payment in 2016. This amount represents a 10.3 percent increase over the total amount levied for payment in 2015. An additional summary ([Appendix C](#)) from the 2016 Red Book provides a breakdown of the percentage of property tax levied by each taxing district in relation to the total amount levied. This summary indicates the majority of the property tax levied in 2015 was levied by school districts, followed by the amount of property tax levied by cities, counties, smaller miscellaneous taxing districts, and townships.

SIGNIFICANT PROPERTY TAX REFORM AND RELIEF LEGISLATION 2007 Legislation

Senate Bill No. 2032 (2007) was the first legislative venture into direct property tax relief and was the subject of extensive discussion and amendments. The bill contained various provisions regarding property taxes and income taxes. The bill provided a homestead income tax credit 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 had been paid on the individual's homestead. For purposes of the credit, "homestead" meant 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. A commercial property income tax credit also 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 had been paid. The amount of the credit for commercial property for a year could not exceed \$1,000 for any taxpayer and was limited to \$1,000 for married persons filing a joint return or \$500 for a single individual or married individuals filing separate returns.

Senate Bill No. 2032 also increased the maximum income to qualify for the homestead property tax credit from \$14,500 to \$17,500 and increased the maximum amount of property covered by the exemption from \$67,511 to \$75,000 of true and full valuation. The bill also reduced the amount of an assessment increase required to trigger written notice be provided to a property owner from a 15 percent increase to a 10 percent increase. The bill increased the amount of advanced notice a property owner must receive for assessment increases from 10 to 15 days before the meeting of the local board of equalization. The bill limited the duration for which voter-approved unlimited or increased school district general fund levies could extend to no more than 10 years. The bill reduced the number of petition signatures required to place the question of discontinuing increased or unlimited school district general fund levy authority on the ballot 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. The bill also required real estate and mobile home tax statements to include three columns showing the property tax levied in dollars against the property by the county and school district and any city or township that levied taxes against the property for the year of the tax statement and the 2 preceding tax years.

2009 Legislation

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. The bill 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 replaced 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. Those school districts unable to secure voter approval by 2015 would have a levy limitation subject to statutory provisions allowing a levy based on the number of dollars levied by the school district in the highest of the most recent 3 years or 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 Legislation

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. The bill provided 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 provided for a reduction of up to 75 mills in school district property tax levies and provided for replacement of the revenue to school districts through mill levy reduction grants. The bill limited the grant to a school district from exceeding the grant in the preceding school year by more than the percentage increase in statewide taxable valuation. The bill also provided for recognition and adjustment for certain property types that were not subject to traditional property taxes, but which provided revenue to school districts, and made clear a school district that did not receive voter approval for extension of authority to levy in excess of statutory mill levy limitations could retain the authority to levy based on the highest dollar amount levied in the most recent 3 previous years.

2013 Legislation

House Bill No. 1013 (2013) provided a substantial expansion of state funding for elementary and secondary education. The funding enhancement included a property tax relief component to provide for state payment of up to 50 mills of school district property tax levies. The bill also provided funding to incorporate the previous mill levy reduction grant property tax relief program, which provided a reduction of up to 75 mills in school district property tax levies. The result of combining the relief programs was estimated to provide more than \$650 million in property tax relief for the 2013-15 biennium. The bill reduced school district general fund levy authority to 60 mills, allowed 12 mills for miscellaneous expenses, and allowed a 12 percent increase in dollars per year, to a maximum combined levy of 82 mills.

Senate Bill No. 2036 (2013) created a new approach to property tax relief funding by providing a state-paid credit against property taxes and mobile home taxes in the amount of 12 percent of the taxes levied by all taxing districts against the property. It was estimated the bill would provide \$200 million in property tax relief for the 2013-15 biennium. The bill also required the Tax Commissioner to prescribe the form of notice of increased assessments for property owners and the form of the property tax statement. The bill provided an individual who previously received notice of increased assessments also must be provided mailed notice to inform the individual of a public property tax levy hearing if the taxing district was considering a property tax increase.

In addition, 2013 House Bill Nos. 1015 and 1306 and Senate Bill No. 2171 provided property tax relief through the homestead credit and disabled veterans' homestead credit in an amount estimated to exceed \$27 million for the 2013-15 biennium. Senate Bill No. 2171 expanded eligibility and qualifying income limits for the homestead property tax credit for individuals 65 years of age or older or permanently or totally disabled. The bill increased the maximum income to qualify for the credit from \$26,000 to \$38,000. The bill increased the amount of assets of an applicant for eligibility for the credit from \$75,000 plus \$100,000 of the unencumbered value of the homestead to combined total assets of \$500,000. House Bill No. 1015 added an additional income category to qualify for the homestead property tax credit, to allow individuals with income from \$38,000 to \$42,000, which entitled the owner to a reduction of 10 percent of taxable valuation up to a maximum reduction of \$450 of taxable valuation. House Bill No. 1306 increased the amount of the credit for the homestead of a disabled veteran from \$5,400 to \$6,750 of taxable valuation.

House Bill No. 1107 (2013) provided the withholding of state aid distribution fund allocations from counties as a penalty for failure to implement soil type and soil classification data in assessments continues until the Tax

Commissioner certifies to the State Treasurer that the county has fully implemented use of soil type or soil classification data.

2015 Legislation

Senate Bill No. 2005 (2015) extended the 12 percent state-paid property tax credit through tax year 2016 and appropriated \$250 million for allocations of state-paid property tax relief credit funds for the 2015-17 biennium. House Bill No. 1059 (2015) also addressed the 12 percent state-paid property tax credit, extending the credit indefinitely.

House Bill No. 1059 provided an equivalent credit for rural electric cooperatives, modified the transmission line per mile tax rate, and allowed certain transmission line tax payments to qualify for the state-paid property tax relief credit. The bill also replaced the various types of property tax assessors with two classes of assessors requiring a Class I assessor to obtain 180 hours of education and Class II assessor to obtain 80 hours of education. The bill required that all assessors be certified under the new training requirements within 2 years of appointment, or by July 31, 2017, whichever is later.

Senate Bill No. 2144 (2015) combined various levies for counties, cities, townships, and other political subdivisions and repealed unnecessary or consolidated levy provisions. The bill consolidated multiple levies into a combined levy for county general fund purposes and city general fund purposes. The county general fund levy was limited to a rate not exceeding 60 mills per dollar of taxable valuation of property and the city general fund levy was limited to a rate not exceeding 105 mills. For cities and counties that levied more than these amounts for taxable year 2015, a transitional period was provided to allow the counties and cities to phase down to the new limits. The bill structured the phase down to allow cities and counties to levy the same number of mills in taxable year 2016 as the county or city levied in 2015. For taxable year 2017, counties and cities may levy up to the statutory amount, plus 75 percent of the amount of the 2015 levy exceeding the statutory limit. For taxable year 2018, the allowable amount is reduced to the statutory amount, plus 50 percent of the amount of the 2015 levy exceeding the statutory limit, and for taxable year 2019, the amount allowed in excess of the statutory limit is further reduced to 25 percent of the amount of the 2015 levy exceeding the statutory limit. The bill also reduced the number of special fund levies that were available in addition to the consolidated levy for county, city, and township general fund purposes. The bill modified the levy authority for park districts and limited the levy to a rate not exceeding 38 mills per dollar of taxable valuation of the property of the district, subject to certain exceptions. The bill also limited the duration of a variety of levies for which voter-approved excess levy authority, granted after January 1, 2015, may extend to a maximum period of 10 taxable years. The maximum duration for township general fund levies and excess township road levies were restricted further to extend for a period of no more than 5 taxable years.

Senate Bill No. 2206 (2015) provided for state assumption of a significant share of county social service costs beginning in 2016 and required the 2016 county social service board budget be reduced by the amount of costs to be assumed by the state, with an allowable increase for county employee salary and benefits. The bill also provided for property tax levy restrictions intended to pass the property tax relief provided by state assumption of a portion of county social service costs on to taxpayers. It was estimated that the bill would result in property tax savings for counties in the amount of \$23,212,165 for the 2015-17 biennium.

Senate Bill No. 2031 (2015) provided property tax relief through state funding of a portion of elementary and secondary education. The bill included a 3 percent increase in the state's per-pupil payment in each year of the 2015-17 biennium and continued the provision for state funding of up to 115 mills of local property tax. The bill also repealed Chapter 57-64 relating to mill levy reduction allocations and grants.

House Bill No. 1057 (2015) relocated the statutory provision mandating that property owners receive notice if the assessment on the owner's property increased by 10 percent and \$3,000 from the assessment in the prior year. The bill provided for uniform notice requirements to apply to city, township, and county boards of equalization and provided the entity making the increase was the entity that must notify the owner. The bill also required local boards of equalization to provide reasonable advance notice to a property owner and opportunity for that property owner to appear if the board is considering increasing the assessment on the property by 15 percent or more over the prior year's assessment.

Senate Bill No. 2217 (2015) required any taxing entity authorized to levy property taxes, or have property taxes levied on its behalf, to file a financial report with the city or county auditor in the year for which the levy will apply showing the ending balances of each fund or account held by the taxing entity during the preceding calendar year.

2017 Legislation

Senate Bill No. 2206 (2017), as part of a bill that creates a 2-year pilot program for the state-payment of county-funded economic assistance and social service costs, suspends a county's ability to levy up to 20 mills for human service purposes for taxable years 2017 and 2018. The bill requires savings realized by suspending county social service mill levy authority be reflected on property tax statements and creates a credit to provide comparable savings to centrally assessed companies that make payments in lieu of taxes. The bill also repeals the 12 percent state-paid property tax credit effective for taxable years beginning after 2016.

Senate Bill No. 2288 (2017) makes various changes to property tax levy increase notice and public hearing provisions and assessment dates. The bill repeals Section 57-15-02.1, related to levy increase notice and public hearings requirements, and creates a new section relating to consolidated notice requirements. The bill requires the governing body of a taxing district to provide the county auditor with a preliminary budget statement and the date, time, and location of the taxing district's public hearing on its property tax levy. The bill requires the county treasurer to provide a written notice to the owner of each parcel of taxable property containing the date, time, and location of the budget hearings for all applicable taxing districts; the true and full value of the property owner's property; the amount levied against the parcel by each taxing district in the preceding year; the estimated tax, in dollars, which will be levied in the current year; the difference between the prior and current year levy in dollars; information pertaining to estimated property tax savings; and notification that citizens may provide oral or written comments regarding each taxing district's property tax levy.

House Bill No. 1015 (2017) requires each county auditor, in addition to transmitting a complete abstract of the tax list of the county, to submit a report to the Tax Commissioner providing each taxing district's property valuation, property tax levy, and any other information requested by the Tax Commissioner. The bill repeals the requirement the county auditor certify the tax list prepared by each taxing district or municipality in the county, as a result of the new reporting requirements. The bill requires the Tax Commissioner to prepare a statewide report of property tax increase using the information submitted by the county auditors. The bill provides the report prepared by the Tax Commissioner must include the annual increase in property taxes levied by each taxing district and must be provided to the Legislative Management by April 1 of each year.

POSSIBLE STUDY APPROACH

The following is a proposed study plan for the committee's consideration in its study of the property tax system:

1. Receive testimony from assessment officials regarding property valuation and notice requirements resulting from increased valuations.
2. Receive testimony from representatives of the Tax Department regarding historical fluctuations in property values and the procedures available to taxpayers to contest valuations.
3. Receive testimony from representatives of local governing bodies regarding the formulation of taxing district budgets and budget hearing notice requirements.
4. Receive testimony from interested parties regarding the contents of property tax statements, the ability of taxpayers to participate in the property tax process, and the transparency of the property tax system.
5. Develop recommendations and any bill drafts necessary to implement the recommendations.
6. Prepare a final report for submission to the Legislative Management.

ATTACH:3