



TAX RELIEF ADVISORY COMMITTEE

Wednesday, February 7, 2024
Harvest Room, State Capitol
Bismarck, North Dakota

Senator Jordan L. Kannianen, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Jordan L. Kannianen, Dale Patten, Dean Rummel; Representatives Glenn Bosch, Jared Hagert, Craig Headland

Members absent: None

Others present: Senators Brad Bekkedahl, Williston, Tim Mathern, Fargo, and Janne Myrdal, Edinburg, members of the Legislative Management

See [Appendix A](#) for additional persons present.

It was moved by Representative Bosch, seconded by Senator Patten, and carried on a voice vote that the minutes of the August 25, 2023, meeting be approved as distributed.

Chairman Kannianen provided an overview of the committee's progress.

INCOME TAX RELIEF

Mr. Bryan Bittner, Research Analyst, Tax Department, provided information ([Appendix B](#)) regarding the estimated impact of House Bill No. 1158 (2023) on passthrough income.

Mr. Bittner provided information ([Appendix C](#)) related to individual income tax credits and deductions, including a brief description of each credit or deduction, the dollar amount claimed and number of claimants over a period of years for each credit and deduction, and noticeable trends reflecting usage of the credit or deduction.

In response to questions from committee members, Mr. Bittner noted the individual income tax bracket adjustments made in House Bill No. 1158 likely will result in a decrease in the amount of credits and deductions claimed in future tax years.

Committee members noted:

- Concerns regarding continuation of income tax credits or deductions if the sole purpose of continuing the credits or deductions is to encourage certain behavior.
- It might take several years before the full impacts of the individual income tax bracket adjustments are seen.

In response to questions from committee members, Mr. Matthew Peyerl, Associate Director and Auditor, Tax Administration Division, Tax Department, noted:

- The only income tax credit with a carryback provision is the research expense income tax credit, which allows the credit to be applied to the previous 3 taxable years to offset tax liability and generate a refund.
- The effort required by the Tax Department to administer a credit or deduction is immaterial to the evaluation of whether to continue or eliminate an income tax credit or deduction. New credits or programs require initial investment of agency time and resources, but once operational, the Tax Department has policies to monitor the programs and ensure compliance.

- The reduction or elimination of individual income tax liability due to the recent adjustments to the individual income tax brackets might result in individuals being less inclined to contribute funds under the endowment credit or nonprofit private school contribution credit due to a decreased need to reduce income tax liability.

PROPERTY TAX RELIEF

Ms. Shelli Myers, State Supervisor of Assessments, Tax Department, and Mr. Bittner, provided information ([Appendix D](#)) regarding the homestead tax credit, disabled veterans credit, and renter's refund. In relation to the homestead tax credit, disabled veterans credit, and renter's refund, Ms. Myers provided an overview of the qualification criteria and application process, an analysis of potential ways to simplify the application process, and information regarding the demographics of applicants.

Ms. Myers noted the Tax Department is receptive to feedback regarding the application process for each of the property tax credits. She noted in response to feedback from taxpayers and county officials, the deadline for the homestead tax credit was extended from February 1, 2024, to March 31, 2024, and portions of the application related to the income requirements have been updated for clarity.

In response to questions from committee members, Ms. Myers noted:

- The adjustments to the homestead tax credit in House Bill No. 1158 apply to mobile home owners beginning with the 2023 tax year. However, because mobile home taxes are paid in advance, the Tax Department advised counties to allow qualifying mobile home owners who paid their 2023 mobile home taxes to retroactively apply for the homestead tax credit for the 2023 tax year, and then complete the abatement process to receive the benefit of the credit.
- The homestead tax credit and disabled veterans credit reduce a property's taxable value and, of the two credits, the greater benefit to the taxpayer is applied first. The primary residence credit is applied to the consolidated tax, so the credit will be applied to any remaining balance after the application of other property tax credits.

A committee member noted concerns regarding the difference in deadlines for remitting mobile home taxes versus real estate taxes and the difficulty for mobile home owners to access certain property tax credits. The committee member expressed interest in feedback from the Tax Department regarding a solution to address the concerns.

Mr. Bittner provided information regarding an analysis of long-term revenue impacts of the homestead tax credit. He noted:

- The number of taxpayers who qualify for the homestead tax credit likely will increase due to the removal of the asset test from the homestead tax credit qualification criteria.
- The number of households eligible for the homestead tax credit increased from approximately 10,000 to 21,000 households following the adjustments to the homestead tax credit in House Bill No. 1158.
- Based on available data, the estimated biennium totals for the homestead tax credit and renter's refund are \$77.1 million for the 2025-27 biennium and \$81.2 million for the 2027-29 biennium.

Mr. Bittner provided information ([Appendix E](#)) regarding the status of information technology changes and advertising efforts for the primary residence credit. He noted:

- The Tax Department created a custom application for the primary residence credit, which is available on the Tax Department website.
- As of February 6, 2024, the Tax Department received approximately 85,000 primary residence credit applications, 8,000 phone calls regarding the primary residence credit, and a 99 percent approval rating for services provided related to the primary residence credit.
- The Tax Department's marketing for the primary residence credit includes fliers; television, radio, and newspaper advertising; and social media campaigns.

In response to questions from committee members, Ms. Myers noted a working group is discussing how best to note the primary residence credit on the tax statement and is open to feedback regarding modifications to the statement or the primary residence application process.

Ms. Erica Johnsrud, Auditor/Treasurer, McKenzie County, provided information ([Appendix F](#)) regarding administration of the primary residence credit. She noted:

- The primary residence credit will be applied differently to real estate owners than to mobile home owners. Real estate owners will see the primary residence credit on their tax statement for tax year 2024. Mobile home owners did not see the primary residence credit on their tax statement for tax year 2024 because mobile home owners pay their 2024 mobile home taxes in advance, before the primary residence credits are applied. As a result, mobile home owners will need to use the abatement process to access the credit.
- A county can administratively file an abatement application for a property, but the county will have to act on every application. This process includes several mailings and a public hearing, and may take between 20 and 145 days to complete.

In response to a question from a committee member, Mr. Charles Dendy, General Counsel, Tax Department, noted:

- Mobile homes are specifically included in the definition of "primary residence" as applied to the primary residence credit.
- Because the primary residence credit is effective for the first 2 taxable years beginning after December 31, 2023, the credit applies to all primary residences for tax years 2024 and 2025, regardless of whether the primary residence is a mobile home or real estate.

Ms. Donnell Preskey, Government/Public Relations Specialist, North Dakota Association of Counties, provided information ([Appendix G](#)) regarding implementation of the primary residence credit. She noted:

- A desire for the Legislative Assembly to enact legislation carrying an emergency clause to address the timing concerns surrounding application of the credit to mobile home properties.
- If the abatement process is used to allow qualifying mobile home owners to access the credit, concerns exist regarding a potential revenue shortfall to taxing districts for the period between granting the abatement and state reimbursement of the credit amount.
- Some counties have received questions regarding whether the credit may be applied to offset delinquent taxes.

In response to Ms. Preskey's request for clarification regarding administration of the primary residence credit, Mr. Dendy noted the Tax Department is open to discussion regarding administrative concerns related to the primary residence credit.

Ms. Preskey provided information ([Appendix G](#)) regarding county tax software vendors, including the potential costs associated with changing vendors and the process for selecting tax software vendors. She noted:

- Information regarding software vendors used by counties, including initial cost and ongoing maintenance costs.
- Neither a uniform software nor a uniform chart of accounts is necessary to collect and compare financial information across counties.
- A number of counties have invested in financial software that details property tax levy information by taxing district and enables a taxpayer to review financial information of interest to the taxpayer.

COMMITTEE DISCUSSION

Committee members noted a desire to discuss potential income and property tax relief subjects, including discussion regarding:

- Elimination of the marriage penalty.
- Adjustments to the individual income tax brackets to provide additional income tax relief.
- An increase in the amount of the primary residence credit.
- The taxable valuation calculation for residential property.
- Property tax exemptions available under law.
- Limitations on the growth of property tax levies.
- Targeting non-income-producing property for property tax relief.

Committee members noted the importance of working proactively on ways the Legislative Assembly can provide tax relief to North Dakota taxpayers and communicate with taxpayers regarding how property tax revenue is spent, legislative efforts to provide property tax relief, and concerns regarding the initiated petition for the proposed constitutional amendment to eliminate property tax.

No further business appearing, Chairman Kannianen adjourned the meeting at 12:16 p.m.

Megan J. Gordon
Counsel

ATTACH:7