2023 HOUSE FINANCE AND TAXATION

HCR 3024

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HCR 3024
3/6/2023

A concurrent resolution relating to prohibiting the levy of property tax except for limited purposes, prohibiting the issuance of general obligation bonds secured with property tax, and providing for a state transfer tax on real property and relating to prohibiting the levy of property tax.

Chairman Headland opened the hearing at 9:00AM.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. Members absent: none.

Discussion Topics:
- Private personal property tax
- Transfer of tax to the state
- Assessed value of property
- Property tax relief
- Tax on real property

Representative Hoverson introduced the bill in support (#22153).

Dr. Rick Becker, resident of Bismarck, testified in support (#22054).

Mike Blessum, small businessman in Minot, testified in support (#22077).

Representative Lori VanWinkle, testified in support (#22188).

Steve Moen, Minot, testified in support (#21491, 21295, and 21273).

Scott Samuelson, Minot, testified in support (#21467and 22085).

Patti Eisenzimmer, Minot, testified in support (#22169).

Greg Larson, North Dakota Association of REALTORS, testified in opposition (#22070).

Donnell Preskey, North Dakota Association of Counties, testified in opposition (#22189).

Amy DeKok, General Counsel for the North Dakota School Boards Association, verbally testified in opposition.

Stephanie Dassinger Engebretson, North Dakota League of Cities, verbally testified in opposition.

Senator Magrum, District 8, verbally testified in a neutral capacity.

Additional written testimony:
Travis Zablotney, Chairman for District 5, testimony in favor #22124.
Ann Hoggarth, testimony in favor #22028.
Connie Samuelson, testimony in favor #21412.
Lydia Gessele, testimony in favor #21494.
Vickie Steiner, Representative with North Dakota Legislature, testimony in favor #23142.

Chairman Headland closed the hearing at 10:35AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HCR 3024
3/6/2023

A concurrent resolution relating to prohibiting the levy of property tax except for limited purposes, prohibiting the issuance of general obligation bonds secured with property tax, and providing for a state transfer tax on real property and relating to prohibiting the levy of property tax.

Chairman Headland opened the meeting at 11:37AM.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. Members absent: Representative Bosch.

Discussion Topics:
- Proposed amendments

Representative Steiner moved to amend by removing section 5 of the bill.

Representative Olson seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	AB
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 13-0-1

Representative Steiner moved to further amend by changing the effective date to 2026 in section 7 of the bill.

Representative Grueneich seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	AB
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 13-0-1

Chairman Headland adjourned at 11:45AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HCR 3024
3/6/2023

A concurrent resolution relating to prohibiting the levy of property tax except for limited purposes, prohibiting the issuance of general obligation bonds secured with property tax, providing for a state transfer tax on real property and relating to prohibiting the levy of property tax.

Chairman Headland opened the meeting at 2:28PM.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Finley-DeVille, and Representative Ista. Members absent: Representatives Bosch and Toman.

Discussion Topics:
- Local control
- Local funding
- Coverage of costs from the state

Charlene Nelson, Casselton, testified virtually in support (#21452).

Dee Wald, General Counsel with the Office of the State Tax Commissioner, answered questions from the committee.

Chairman Headland adjourned at 2:38PM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

HCR 3024
3/8/2023

A concurrent resolution relating to prohibiting the levy of property tax except for limited purposes, prohibiting the issuance of general obligation bonds secured with property tax, and providing for a state transfer tax on real property and relating to prohibiting the levy of property tax.

Chairman Headland opened the meeting at 2:50PM.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. Members absent: none.

Discussion Topics:

- Proposed amendments 23.3078.01000 and 23.3078.01001
- Committee vote

Vice Chairman Hagert distributed proposed amendment 23.3078.01000 (#23680).

Representative Steiner proposed an amendment 23.3078.01001 (#23672).

Representative Hagert moved the amendment 23.3078.01001. Representative

Steiner seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 14-0-0

Representative Steiner moved to further amend on page 2, line 9, by changing the word “shall” to “may convene”.

Representative Fisher seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 14-0-0

Representative Olson moved to further amend by adding section 4 and 5 as presented in 23.3078.01000 and add language in section 5 “no more than the amount of the annual property tax revenue replacement payments to political subdivisions for deposit into the property tax revenue replacement fund as deemed necessary.”

Representative Motschenbacher seconded the motion.

Charles Dendy, Legal Counsel for the Office of the State Tax Commissioner, answered questions from the committee.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	N
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y

Representative Zachary Ista	N
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 12-2-0

Representative Steiner moved to further amend the effective date back to 2026.

Vice Chairman Hagert seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	N
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	N
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	N
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	N
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 10-4-0

Representative Steiner moved for a Do Pass as Amended.

Representative Toman seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	N
Representative Jared Hagert	N
Representative Dick Anderson	N
Representative Glenn Bosch	N
Representative Jason Dockter	N
Representative Lisa Finley-DeVille	N
Representative Jay Fisher	Y
Representative Jim Grueneich	N
Representative Patrick Hatlestad	N
Representative Zachary Ista	N

Representative Mike Motschenbacher	N
Representative Jeremy Olson	N
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion failed 3-11-0

Representative Dockter moved a Do Not Pass as Amended.

Representative Olson seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	N
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	N
Representative Nathan Toman	N

Motion carried 11-3-0

Representative Hagert is the bill carrier.

Chairman Headland adjourned at 3:27PM.

Mary Brucker, Committee Clerk

23.3078.01002
Title.02000

Adopted by the House Finance and Taxation Committee

March 8, 2023

DR
1/1
3-8-2023

PROPOSED AMENDMENTS TO HOUSE CONCURRENT RESOLUTION NO. 3024

Page 1, line 1, after the third comma insert "and"

Page 1, line 1, remove ", and 27"

Page 1, line 3, after the first comma insert "replacing lost property tax revenue through increased sales tax, and"

Page 1, line 3, remove ", and"

Page 1, line 4, remove "providing for a state transfer tax on real property"

Page 1, line 8, after the second comma insert "provides for the replacement of lost property tax revenue through increased sales tax, and"

Page 1, line 9, remove ", and permits imposition by the"

Page 1, line 10, remove "state of a transfer tax on real property"

Page 1, line 13, after the third comma insert "and"

Page 1, line 13, remove ", and 27"

Page 2, line 9, after the underscored period insert "<u>Between September 1, 2025, and December 31, 2025, the legislative assembly may convene for up to twenty consecutive business days designated by the majority leaders of the senate and house of representatives to provide by law a method for the annual property tax revenue replacement payments to political subdivisions required in this subsection. Days spent in the reconvened session under this subsection may not be counted as part of the eighty natural days under section 7 of article IV.</u>

<u>4.</u> <u>The legislative assembly shall create a property tax revenue replacement fund in the state treasury for the purpose of making annual property tax revenue replacement payments to political subdivisions.</u>

<u>5.</u> <u>The legislative assembly shall impose sales tax at a rate sufficient to fund the annual property tax revenue replacement payments to political subdivisions for deposit into the property tax revenue replacement fund as deemed necessary.</u>"

Page 5, remove lines 3 through 9

Page 5, line 12, replace "6" with "5"

Page 5, line 13, replace "2025" with "2026"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HCR 3024: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HCR 3024 was placed on the Sixth order on the calendar.

Page 1, line 1, after the third comma insert "and"

Page 1, line 1, remove ", and 27"

Page 1, line 3, after the first comma insert "replacing lost property tax revenue through increased sales tax, and"

Page 1, line 3, remove ", and"

Page 1, line 4, remove "providing for a state transfer tax on real property"

Page 1, line 8, after the second comma insert "provides for the replacement of lost property tax revenue through increased sales tax, and"

Page 1, line 9, remove ", and permits imposition by the"

Page 1, line 10, remove "state of a transfer tax on real property"

Page 1, line 13, after the third comma insert "and"

Page 1, line 13, remove ", and 27"

Page 2, line 9, after the underscored period insert "<u>Between September 1, 2025, and December 31, 2025, the legislative assembly may convene for up to twenty consecutive business days designated by the majority leaders of the senate and house of representatives to provide by law a method for the annual property tax revenue replacement payments to political subdivisions required in this subsection. Days spent in the reconvened session under this subsection may not be counted as part of the eighty natural days under section 7 of article IV.</u>

<u>4.</u> <u>The legislative assembly shall create a property tax revenue replacement fund in the state treasury for the purpose of making annual property tax revenue replacement payments to political subdivisions.</u>

<u>5.</u> <u>The legislative assembly shall impose sales tax at a rate sufficient to fund the annual property tax revenue replacement payments to political subdivisions for deposit into the property tax revenue replacement fund as deemed necessary.</u>"

Page 5, remove lines 3 through 9

Page 5, line 12, replace "6" with "5"

Page 5, line 13, replace "2025" with "2026"

Renumber accordingly

TESTIMONY

HCR 3024

HB 3024 was introduced on Feb. 21 2023. This is a resolution bill that would put the Elimination and Replacement of Unfair Property Tax on the ballot for we the people to vote on in the 2024 election cycle. This bill would repeal the current system of using people's property as the go to source of revenue to fund political subdivisions and replace it directly with money from the state. The local political subdivision would still have duty to budget and spend this money just as they do now. All that changes is the revenue source. This would mean if passed by the voters in 2024 that we would no longer be required to rent our property from the government and have to pay them for the privilege to farm the land, run the business or live in the house we worked so hard for.
The state has ample funds to do this via the legacy fund, school land trust funds and all the excess money you have. Burgum raised the budget by $2 billion this session, which would pay all the property taxes and more, and every time we turn on the news we hear of another spending bill "because we have so much excess money we can afford it"
You already voted to allow a vote on "sports betting" in the 2024 election cycle so I see no valid reason for you to refuse to allow us to vote on the elimination of property taxes during the same election cycle. To do so would be very hypocritical on your behalf. One of our neighbors who works for UPS came down with cancer and since he is unable to work he lost his job once he lost his job he lost his Teamsters Union medical insurance so he is unable to get treatment then since he has no income I'm sure he's looking at losing his home due to his inability to pay the property tax. This is only one of these stories we are trying to eliminate.

Steven Moen
7979 County Road 15 W
Minot ND 58703
701-838-5751

Property tax is unfair
3 different tax groups all should be treated exactly the same.
2 are based on property value
1 is based on "capitalized annual gross returns" ie what gets grown on it
1 exempts buildings the other 2 don't
1 can get exemptions depending on location, improvements or just moving in
1 doesn't get any exemptions and gets their taxes raised to pay the exemptions of the other 2
If any government entity owns any property.. no tax.. the rest of us pick up their tab too

ND Constitution
Article VIII
Section 2 The legislative assembly **shall provide** for a uniform system of free public schools throughout the state,beginning with the primary and extending through all grades up to and including schools of higher education except that the legislative assembly may authorize tuition, fees and service charges to assist in the financing of public schools of higher education.
Looks to me like K-12 is entirely on the legislative assembly.
Article X
Section 1. The legislative assembly **shall be prohibited** from raising revenues to defray the expenses of the state through the levying of a tax on the assessed value of real or personal property.

Question Why is the largest part of my property tax bill for the school. Why is that?

I see that many bills coming out of both houses deal with child care, school lunches, fuel assistance, welfare etc.
Eliminating this unfair property tax would greatly lessen the need for all the handouts as the people could spend the money they normally give to the government for the privilege of living in their own house, farming their own land, or running their own business on buying their own food, taking care of their own children and buying their own fuel.
With the increased revenues business' could raise wages, landowners could reduce rent, farmers could see increased profits and buy more equipment thus starting the whole cycle over again.

But main gist of this whole bill comes down to will you let the people vote? Just like you are going to let the people vote on "sports betting."

There is an ever increasing amount of people who will be watching this with great interest and we're really hoping you will give us a chance to vote on this issue.

Mr. Chair and Members of the House Finance and Taxation Committee

My name is Connie Samuelson and I support House Current Resolution #3024.

The North Dakota property taxation is a constant and unjust burden to the Citizens of North Dakota. It is unfair to threaten a homeowner with the possibility of losing their home because they are financially unable to pay the increasing rate of taxes on a home they are currently purchasing or have bought and paid for years prior.

Over many Legislative sessions, the residents of ND have been constantly disappointed with the numerous poorly drafted initiatives and missed opportunities to correct the levy on our property taxes. This year alone, they have rejected 8 proposed bills to reduce or eliminate this burden. If the ND Legislative Branches cannot listen to the concerns and rectify the problems linked to burden of property taxes, it is only fair the people of North Dakota, have the opportunity to vote on this issue. In spite of the constant overspending by our state body, North Dakota is a lone state in have a surplus, skimmed through 2 recessions and has an $8 Billion dollar Legacy Fund.

In closing, if the Governor of ND can propose a near $2 Billion budget increase, there is obviously money to spare that can go to support budgets for Cities and Counties in North Dakota.

Respectfully,
Connie Samuelson
Minot

residents

My name is Charlene Nelson and I come before you in support of HCR 3024.

Like most Americans, I would like to get by with paying as little tax as is legally permissible. However, I realize that taxes are necessary for a properly functioning government, so I'm not here to with the “taxation is theft” argument, but rather with a “taxes should be just” argument.

A moral tax should never impoverish a person. A just tax should be born equally by all who agree to that tax. And the people should have some say in how that tax is levied. While I applaud Chairman Headland for wanting to abolish income tax, the truth is I can afford my income tax. When my income goes down, as it did six months ago, my tax goes down. I know who to blame when my income tax goes up. And most importantly I won't lose my home.

But property tax is an entirely different breed. Property tax is not based on my income, it is not equally applied and I have no say in how it is levied. That means property tax is immoral. I'll even say it: it's an evil tax.

Property tax is not based on a person's ability to pay.
My husband delayed his retirement for a year because our 2021 property tax went up 60%. Our income had not increased a single bit, but in one fell swoop, the county raised the assessed value a whopping 60%. And we were one of the lucky ones. Some in our township saw an 80% increase. Needless to say, we all had some words for our township assessor. He told us it was out of his hands—thank you 2017 Legislature—and the assessment was entirely the county's doing.

We called and protested to the county assessor and he told us “Get used to it. You should expect your property taxes to go up about 10% every year for the foreseeable future.” And he was right. This month we paid over $1800, a 11% increase over last year's tax bill.

This tax impoverishes people.
Now we are on a fixed retirement income. In seven years our taxes will more than double what they are today. That means in seven years we will be faced with the heartbreaking decision, to sell our home of 30 years, the home we raised our children in, because the government will have priced out of our house. We don't even dare make any improvements or repairs to the house because that might accelerate our eviction.

That's right. Even though we have no mortgage, we do not own our home. We rent our home from the government. And if we can no longer afford the rent you've imposed, we will lose our home.

Our case is not unusual. About seven years ago, there was a news report that hundreds of senior citizens in the western part of the state had sold their homes and moved into apartments because the oil boom had caused property values to skyrocket. Rising values meant they could no longer afford the property taxes on their homes.

Now don't think that I support HB 1211 or the failed SB 2177 that would have given targeted property tax relief to seniors. Because, while my home is important to me, even more important to me is that my children can own their own home and be secure knowing it is truly theirs, that the government won't raise the rent on their homes so that they are forced to move.

This tax is not applied applied equally.
In 2012 when our assessed value went up 60% I checked the historic value of 40 apartment buildings in

Fargo and West Fargo. I found that the average tax increase for those apartment buildings was less than 3%. Many of those buildings saw a decrease in value. At the same time that my husband and I are being priced out of our home, the big apartment building owners are paying the same or less than they were the year before.

Jim Howe, who is the father of our Secretary of State Mike Howe, lives two miles south of us. His house is half again bigger than ours and his property tax this year is $42.66. That's down from the $43.73 he paid in 2022. Instead of his property value going up 60%, it went down. One of the richest men in the county pays a fraction of what we do on property tax.

Voters have no say in this tax.
It wasn't enough that the State Equalization Board mandates property values all around the state. Then the 2017 legislature took away the final control that we have over property taxes by changing the qualifications for property tax assessors. You legislators put almost all property assessments into the hands of a single out-of state company called Vanguard. Vanguard can only make money when it raises the assessed values of properties. Surprise! Everyone around the state has seen their property values skyrocket over the last five years.

We can no longer afford this capricious, out-of-control and immoral tax. *It has to stop*.

I am grateful to Rep. Hoverson for introducing this bill that will allow us, the citizens who are bearing the brunt of this terrible tax, a chance to vote on it.

I have studied property tax for almost 15 years. I even co-wrote a book on the topic and I have come to the conclusion that a good amendment to eliminate property tax will have three elements. I'd like to introduce those three elements as proposed amendments to Rep. Hoverson's great bill.

First, remove the requirement for home rule charter in order to raise revenues. Maybe this wouldn't be part of the constitutional amendment, but just something you enact by statute. I leave that to you.

Second, associated with that, allow all taxing entities and political subdivisions the power to generate revenues to fund their legitimate costs. These new taxes that the political subdivisions create must be approved by the affected voters before they can be implemented. I'd like to see a 60% threshold for approval, but again, that's up to you.

Two things happen when you allow local governments to raise their own revenues as they see fit.

First, with one exception (and I'll get to that in a minute) it means that this measure will not cost the state anything. Rep. Headland can still work to abolish income tax, and wouldn't that be wonderful for our state? No property tax **and** no income tax. Talk about an economic boom for our state. We'll have to keep out of the way of the stampede as new businesses race to our state.

Second, you will ensure true local control. I don't want to see the state replacing property taxes with a complicated—or even a simple—formula.

Counties don't always know what the townships need, bigger cities' appetites often supersede the needs of small towns. You need to leave all funding to the most local government possible. Let each political subdivision decide how and how much they will fund their expenses.

About six years ago our township had a couple roads that needed repairs that would cost more than county had allotted us for roads. So we had to vote for a 2-mill increase in our property tax for 5 years. *That* is local control.

There is nothing so creative as the government when it's trying to raise revenues. The state constitution already allows counties to levy an income tax. Most cities with home rule charter have a city sales tax. So we can take our pick: income tax, sales tax, a household fee, a banana tax, a fee for shoe laces, tax whatever and however you want in order to raise the needed revenues. Just don't base the tax on the value of property and stop holding homeowners hostage to unresponsive and unsustainable spending.

Third, this constitutional measure should create a state-funded buffer for the transition away from property tax. And this is the one exception to money coming from the state's general funds. Take your pick, have a buffer of one, two or three years where the state covers the costs of the the missing property tax while giving local governments the time they need to re-work their budgets and pass new funding mechanisms.

And of course the Legislature needs to do what the state constitution mandates and fully fund K-12 education.

This is a plan that is not only doable, but very affordable. It will cost the state less to do this than all the buy downs and “property tax relief” bills of the last 10 years and will ensure that local governments are able to institute permanent, sustainable and equitable funding for their functions.

I urge you to consider the amendments I've proposed. Please consider the security of your homes and the homes that you hope your children and grandchildren will have and vote Do Pass on HCR 3024.

Homes foreclosed on in Fargo in 2022:

Home foreclosed on in Kenmare in 2022:

Mr. Chair and Members of the of the House Finance and Taxation Committee

My name is Scott Samuelson and I am in support of House Concurrent Resolution #3024

The Citizens of ND have been asking the ND Legislature to fix our unfair Property Tax System for many years. After numerus attempts to reduce this tax burden, property taxes continue to go higher. These attempts have not lowered our property tax burden but create an incentive for local taxing entities to increase it. The only way to fix this unfair system is to eliminate Property Taxes in ND and replace them with other funding sources. As we all know, the State of North Dakota is flushed with cash. Our Governor has proposed a nearly 1.55-billion-dollar budget increase. This increase would be 75% of the needed amount to replace Property Taxes. Our State has record spending, as well as record surpluses. It is time for the Legislature to give the citizens of ND a chance to fix our Property Tax System by allowing us a vote.

Respectfully,

Scott Samuelson

Minot

Mr. chairman and committee members, thank you for letting me speak.

I see that many bills coming out of both houses deal with child care, school lunches, fuel assistance, welfare etc.
Eliminating this unfair property tax would greatly lessen the need for all the handouts as the people could spend the money they normally give to the government for the privilege of living in their own house, farming their own land, or running their own business on buying their own food, taking care of their own children and buying their own fuel.
With the increased revenues business' could raise wages, landowners could reduce rent, farmers could see increased profits and buy more equipment thus starting the whole cycle over again.
The unfairness comes from which group you belong to, resident, business or farmer and where in the state you live. My tax on my property in the country a house on 7 acres is $3700 if I lived in Minot it would be in the $7000 range and if I were a farmer my 7 acres would be about $20 depending on what is grown on it and because my buildings are tax exempt.
Property tax is the problem not income tax. My Net income was up this year due to some one time investments that came due so I netted about $78,000 and my state tax is $284 which is wiped out by Burgums generous $700 tax credit. So think about it which is more crippling to people? Income tax $284 or property tax $3700 in the county and $7000 in the city?

But main gist of this whole bill comes down to will you let the people vote? Just like you are going to let the people vote on "sports betting."

There is an ever increasing amount of people who will be watching this with great interest and we're really hoping you will give us a chance to vote on this issue.

My name is Lydia Gessele and I am a woman who lives on the land in Wells County in North Dakota and I am for this bill. Every year we see our property taxes rise and become outrageous. It seems the state has become spendthrifts with our money tossing it at every whim that hits their fancy. I for one feel that this has got to stop and this property bill is a good start.

Lydia R. Gessele
Wells County
North Dakota

My name is Ann Hoggarth, I own my home and property in Buchanan, ND. I remember when the Legacy Fund was created, voted on and the promise
was we would no longer have to pay property taxes. I have yet to see that happen. Instead today I see that the legacy fund is losing money to outside interests and expenditures that were not supposed to have anything to do with the legacy fund. I see that we are earning approximately 6% and the legislators on this committee:

Craig Headland, Chair
District 29 | R

Dick Anderson
District 6 | R

Glenn Bosch
District 30 | R

Jason Dockter
District 7 | R

Lisa Finley-DeVille
District 4A | D

Jay Fisher
District 5 | R

Jim Grueneich
District 28 | R

Patrick Hatlestad
District 1 | R

Zachary Ista
District 43 | D

Mike Motschenbacher
District 47 | R

Jeremy Olson
District 26 | R

Vicky Steiner
District 37 | R

Nathan Toman
District 34 | R

are expensing anywhere from 7 to 9%. Where is all the money going? It's time to bring the legacy fund back to North Dakotans and remove property taxes as promised!

HCR 3024 - Testimony in support, submitted by Rick Becker

A. **The measure**

1. Specifics
2. All concerns regarding the 2012 Measure 2 have been addressed 15
3. This seems crazy
    a. Repeal and replace of *Personal* property also seemed crazy in 1967 1
    b. We're already doing it - Operation Prairie Dog set the precedent of the state block granting to local subs for their infrastructure needs

B. **Supporting testimony**

1. What is the problem with property tax?
    Immoral, Unfair, Stealth
2. Is it true that we are fiscally able to do this?
    a. Huge amount of revenue to the state 2a, 2b, 2c, 2d
    b. Huge amount of spending per capita 3
    c. Compare to SD 4
    d. Rate of budget increase. Incl population increase 5
    e. Rate of spending increase is FAR more than inflation and population
3. Is it true that what the legislature has done thus far has failed?
    a. Many attempts made because *Property Taxes are the #1 concern* 6a, 6b
    b. Previous attempts were merely subsidizing the COST of property taxes
    c. True effective rate of prop tax in ND proves the failure 7, 8
    d. Prop tax "relief" has become a net tax *increase* to the taxpayer
4. What is the amount to be replaced, and where does it come from? 9a, 9b, 10
    a. For fairness and equal treatment among subs, the specials and bonds stay
    b. Replacement - "more than one way to skin a cat"
    c. Anticipated future increased revenue needs are offset by future increased revenue in sales and income tax, as well as economic benefit of prop tax elim
    d. Legis will develop a formula for annual revenue increases, not unlike k-12 fund, highway tax, state relief fund, etc. Will need tweaks in first few years. 11
5. What are the concerns?
    a. Loss of local control.
        1. Can spend at own discretion in any manner they choose. Make their budget. They still have the same pot of money to spend as they see fit.
        2. Continue ability to raise more funds: specials, fees, bonding, etc
        3. No coming to Bismarck to "beg" for money, same as other funds.
        4. The *only* control lost: stealthily raising taxes by increasing valuations.
    b. Underfunding by the state - counter to everything legislature routinely does 12
    c. Full-time legislature - formulaic, not "debating level of support" for every sub 13
6. Who benefits? Literally everyone. Just ask A.I. 14
    a. Makes home ownership a reality for more people
    b. Renters absolutely benefit
    c. Small businesses, and all consumers
    d. Realtors, Homebuilders, construction and other trades
    e. Workforce Development. Economic diversification (#1 way to entice business).
7. Why pass this?
    a. It's the #1 complaint. You may be iffy, but let your constituents have a voice
    b. It *will* be on the ballot. Don't lose all control (med marijuana, term limits)
    3% transfer tax ($150M), specials ($150M), amend effective date to 01/26
    c. *Every* state would eliminate prop tax if they could. ND is the only one that can.

CHAPTER 528

S. B. No. 137
(Torgerson)
(From Personal Property Tax Commission Study)

PERSONAL PROPERTY TAX REPEAL AND REVENUE REPLACEMENT

AN ACT

To provide for the levying and collection of a tax for the privilege of doing business in this state on businesses, corporations, and cooperative corporations; to provide for the imposition of a tax upon banks, trust companies, and building and loan associations for the privilege of transacting business in this state and providing penalties; to allocate moneys to counties and their political subdivisions; and to create and enact subsection 25 of section 57-02-08 and sections 57-39.2-03.1, 57-39.2-03.2, 57-39.2-08.1, 57-40.2-03.1, 57-40.2-03.2, and 57-40.3-03.1 of the North Dakota Century Code, relating to the elimination of personal property taxes on personal property not required to be assessed by the state board of equalization, and to provide for a separate and additional sales, use, and excise tax of one percent and to broaden the base of the sales and use taxes; to exempt certain food products from sales and use taxes; and to repeal sections 18-03-09 and 37-01-27, chapter 57-03, section 57-15-23, and subsection 14 of section 57-39.2-04 of the North Dakota Century Code, relating to the per capita school tax; exemption from the sales tax on sales made from vending machines; and the assessment and valuation of grain; declaring legislative intent; and providing an appropriation.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

Section 1.) Subsection 25 of section 57-02-08 of the 1967 Supplement to the North Dakota Century Code is hereby created and enacted to read as follows:

25. All personal property not required by section 179 of the Constitution of North Dakota to be assessed by the state board of equalization shall become exempt from assessment and taxation in the year 1970 and such property shall not be assessed or taxed for that year or for any year thereafter; provided that this provision shall not apply to any property that is either subjected to a tax which is imposed in lieu of ad valorem taxes or to any particular kind or class of personal property, including mobile homes or house trailers, that is subjected to a tax imposed pursuant to any other provision of law except as specifically provided in this Act. In

TAX FOUNDATION

2a

State Tax Collections per Capita

Fiscal Year 2020

State	Collections per Capita	Rank
United States	$3,217	
North Dakota	$5,566	1
Vermont	$5,318	2
Hawaii	$5,296	3
Connecticut	$5,103	4
Minnesota	$4,695	5
Delaware	$4,602	6
New York	$4,590	7
Massachusetts	$4,499	8
California	$4,349	9
New Jersey	$4,083	10
Maryland	$3,866	11
Washington	$3,766	12
Maine	$3,561	13
Illinois	$3,534	14
Wisconsin	$3,413	15
Arkansas	$3,405	16
Wyoming	$3,405	17
New Mexico	$3,377	18
Iowa	$3,342	19
Indiana	$3,297	20
Kansas	$3,288	21
Virginia	$3,251	22
Rhode Island	$3,214	23

2b

State & Local Tax Collections per Capita

Fiscal Year 2019

State	Collections per Capita	Rank
United States	$5,666	
District of Columbia	$12,130	1
New York	$10,213	1
North Dakota	$8,560	2
Connecticut	$8,308	3
New Jersey	$7,950	4
Hawaii	$7,848	5
Massachusetts	$7,342	6
California	$7,326	7
Maryland	$6,788	8
Minnesota	$6,735	9
Vermont	$6,711	10
Illinois	$6,280	11
Maine	$6,249	12
Rhode Island	$6,111	13
Washington	$6,040	14
Delaware	$5,909	15
Pennsylvania	$5,745	16
Colorado	$5,617	17
Wyoming	$5,564	18
Nebraska	$5,563	19
Iowa	$5,393	20
Oregon	$5,386	21
Virginia	$5,383	22
Kansas	$5,368	23

2c

State and Local General Revenue Per Capita, 2020

	Own Source Revenue			Tax Collections		
	Total (Millions)	Per Capita (Thousands)	Rank	Total (Millions)	Per Capita (Thousands)	Rank
U.S. Total	**$2,713,241**	**$8**		**$1,861,618**	**$6**	
Alabama	33,378	7	37	18,874	4	50
Alaska	7,657	10	5	3,313	5	32
Arizona	41,003	6	50	29,687	4	43
Arkansas	18,932	6	45	13,061	4	37
California	405,510	10	7	276,550	7	8
Colorado	49,327	9	18	32,786	6	17
Connecticut	35,857	10	8	30,416	8	3
Delaware	8,714	9	14	5,811	6	15
District of Columbia	9,952	14	1	8,334	12	1
Florida	144,866	7	36	87,299	4	47
Georgia	65,265	6	48	43,709	4	44
Hawaii	15,466	11	4	10,861	7	6
Idaho	11,186	6	49	7,528	4	45
Illinois	106,954	8	21	81,820	6	13
Indiana	49,766	7	30	31,940	5	31
Iowa	31,489	10	9	17,327	5	21
Kansas	24,597	8	19	15,296	5	24
Kentucky	28,502	6	44	19,496	4	38
Louisiana	29,972	6	42	20,511	4	36
Maine	10,961	8	25	8,746	6	12
Maryland	53,937	9	16	42,034	7	9
Massachusetts	66,979	10	11	51,014	7	7
Michigan	68,855	7	35	42,916	4	40
Minnesota	51,518	9	13	37,137	7	10
Mississippi	19,286	7	41	11,739	4	48
Missouri	37,806	6	47	24,413	4	49
Montana	6,811	6	46	4,856	4	33
Nebraska	15,850	8	24	11,087	6	18
Nevada	20,458	7	39	14,949	5	29
New Hampshire	9,586	7	33	7,070	5	26
New Jersey	89,405	10	10	70,319	8	4
New Mexico	17,359	8	22	10,580	5	27
New York	257,294	13	2	200,443	10	2
North Carolina	71,652	7	34	44,012	4	41
North Dakota	8,519	11	3	5,878	8	5
Ohio	86,736	7	29	57,263	5	28
Oklahoma	26,285	7	38	16,504	4	42
Oregon	37,228	9	15	22,065	5	25
Pennsylvania	102,213	8	26	72,142	6	20
Rhode Island	8,859	8	23	6,283	6	16
South Carolina	37,235	7	31	20,817	4	46
South Dakota	5,616	6	43	3,961	4	35
Tennessee	38,684	6	51	25,735	4	51
Texas	207,274	7	32	138,615	5	30
Utah	25,547	8	27	14,659	4	34
Vermont	5,504	9	17	4,144	6	11
Virginia	72,285	8	20	48,312	6	19
Washington	72,603	9	12	47,513	6	14
West Virginia	11,697	7	40	7,656	4	39
Wisconsin	44,785	8	28	31,047	5	23
Wyoming	6,021	10	6	3,090	5	22

Suggested Citation: US Census Bureau. 2000, updated annually. Annual Survey of State and Local Government Finances, 1977-2020. Compiled by the Urban-Brookings Tax Policy Center. Washington, DC: Urban-Brookings Tax Policy Center (2020). Date of Access: (7-Jul-2022).

State and Local General Revenue as a Percentage of Personal Income, 2020

	Own Source Revenue			Tax Collections		
	Total (Millions)	Percentage of Personal Income	Rank	Total (Millions)	Percentage of Personal Income	Rank
U.S. Total	**$2,713,241**	**13.8%**		**$1,861,618**	**9.5%**	
Alabama	33,378	14.6	19	18,874	8.3	42
Alaska	7,657	16.5	7	3,313	7.1	51
Arizona	41,003	11.1	48	29,687	8.1	44
Arkansas	18,932	13.2	35	13,061	9.1	28
California	405,510	14.7	18	276,550	10.0	15
Colorado	49,327	13.3	33	32,786	8.9	32
Connecticut	35,857	12.8	38	30,416	10.9	7
Delaware	8,714	15.7	9	5,811	10.5	11
District of Columbia	9,952	16.1	8	8,334	13.5	2
Florida	144,866	12.0	44	87,299	7.2	50
Georgia	65,265	11.8	47	43,709	7.9	45
Hawaii	15,466	18.7	1	10,861	13.2	3
Idaho	11,186	12.6	41	7,528	8.5	37
Illinois	106,954	13.5	29	81,820	10.3	13
Indiana	49,766	14.2	22	31,940	9.1	29
Iowa	31,489	18.6	2	17,327	10.2	14
Kansas	24,597	15.0	13	15,296	9.4	22
Kentucky	28,502	13.4	30	19,496	9.2	25
Louisiana	29,972	12.7	40	20,511	8.7	33
Maine	10,961	15.0	14	8,746	11.9	5
Maryland	53,937	13.3	32	42,034	10.4	12
Massachusetts	66,979	12.4	42	51,014	9.4	20
Michigan	68,855	13.0	36	42,916	8.1	43
Minnesota	51,518	14.7	17	37,137	10.6	10
Mississippi	19,286	15.4	11	11,739	9.4	21
Missouri	37,806	11.9	45	24,413	7.7	47
Montana	6,811	11.8	46	4,856	8.4	38
Nebraska	15,850	14.2	21	11,087	9.9	16
Nevada	20,458	12.1	43	14,949	8.9	31
New Hampshire	9,586	10.5	51	7,070	7.7	46
New Jersey	89,405	13.7	27	70,319	10.8	9
New Mexico	17,359	17.8	5	10,580	10.8	8
New York	257,294	17.9	4	200,443	13.9	1
North Carolina	71,652	13.4	31	44,012	8.3	41
North Dakota	8,519	18.1	3	5,878	12.5	4
Ohio	86,736	13.8	24	57,263	9.1	27
Oklahoma	26,285	13.2	34	16,504	8.3	39
Oregon	37,228	15.6	10	22,065	9.2	23
Pennsylvania	102,213	13.0	37	72,142	9.1	26
Rhode Island	8,859	13.8	26	6,283	9.8	17
South Carolina	37,235	14.9	16	20,817	8.3	40
South Dakota	5,616	10.6	50	3,961	7.5	48
Tennessee	38,684	11.0	49	25,735	7.3	49
Texas	207,274	12.8	39	138,615	8.6	36
Utah	25,547	15.1	12	14,659	8.6	34
Vermont	5,504	14.9	15	4,144	11.2	6
Virginia	72,285	13.6	28	48,312	9.1	30
Washington	72,603	14.1	23	47,513	9.2	24
West Virginia	11,697	14.6	20	7,656	9.5	19
Wisconsin	44,785	13.8	25	31,047	9.6	18
Wyoming	6,021	16.7	6	3,090	8.6	35

Suggested Citation: US Census Bureau. 2000, updated annually. Annual Survey of State and Local Government Finances, 1977-2020. Compiled by the Urban-Brookings Tax Policy Center. Washington, DC: Urban-Brookings Tax Policy Center (2020). Date of Access: (7-Jul-2022).

USA TODAY

3

Per capita government spending: How much does your state spend on you?

Michael B. Sauter 24/7 Wall Street

Published 8:04 a.m. ET June 29, 2018 | **Updated 3:27 p.m. ET June 30, 2018**

View Comments

Minnesota

- **State & local government spending per capita:** $10,119 (15th highest)
- **State & local tax collections per capita:** $5,946 (8th highest)
- **Largest spending category:** Health and welfare (32.8% of spending)
- **Share of workers in public sector jobs:** 14.5% (14th lowest)
- **Poverty rate:** 9.9% (6th lowest)

Montana

- **State & local government spending per capita:** $8,595 (22nd lowest)
- **State & local tax collections per capita:** $4,042 (20th lowest)
- **Largest spending category:** Education (31.7% of spending)
- **Share of workers in public sector jobs:** 19.3% (7th highest)
- **Poverty rate:** 13.3% (24th highest)

South Dakota

- **State & local government spending per capita:** $7,975 (11th lowest)
- **State & local tax collections per capita:** $3,835 (16th lowest)
- **Largest spending category:** Education (33.0% of spending)
- **Share of workers in public sector jobs:** 18.3% (13th highest)
- **Poverty rate:** 13.3% (24th highest)

North Dakota

- **State & local government spending per capita:** $12,360 (4th highest)
- **State & local tax collections per capita:** $9,182 (the highest)
- **Largest spending category:** Education (31.5% of spending)
- **Share of workers in public sector jobs:** 19.1% (9th highest)
- **Poverty rate:** 10.7% (10th lowest)

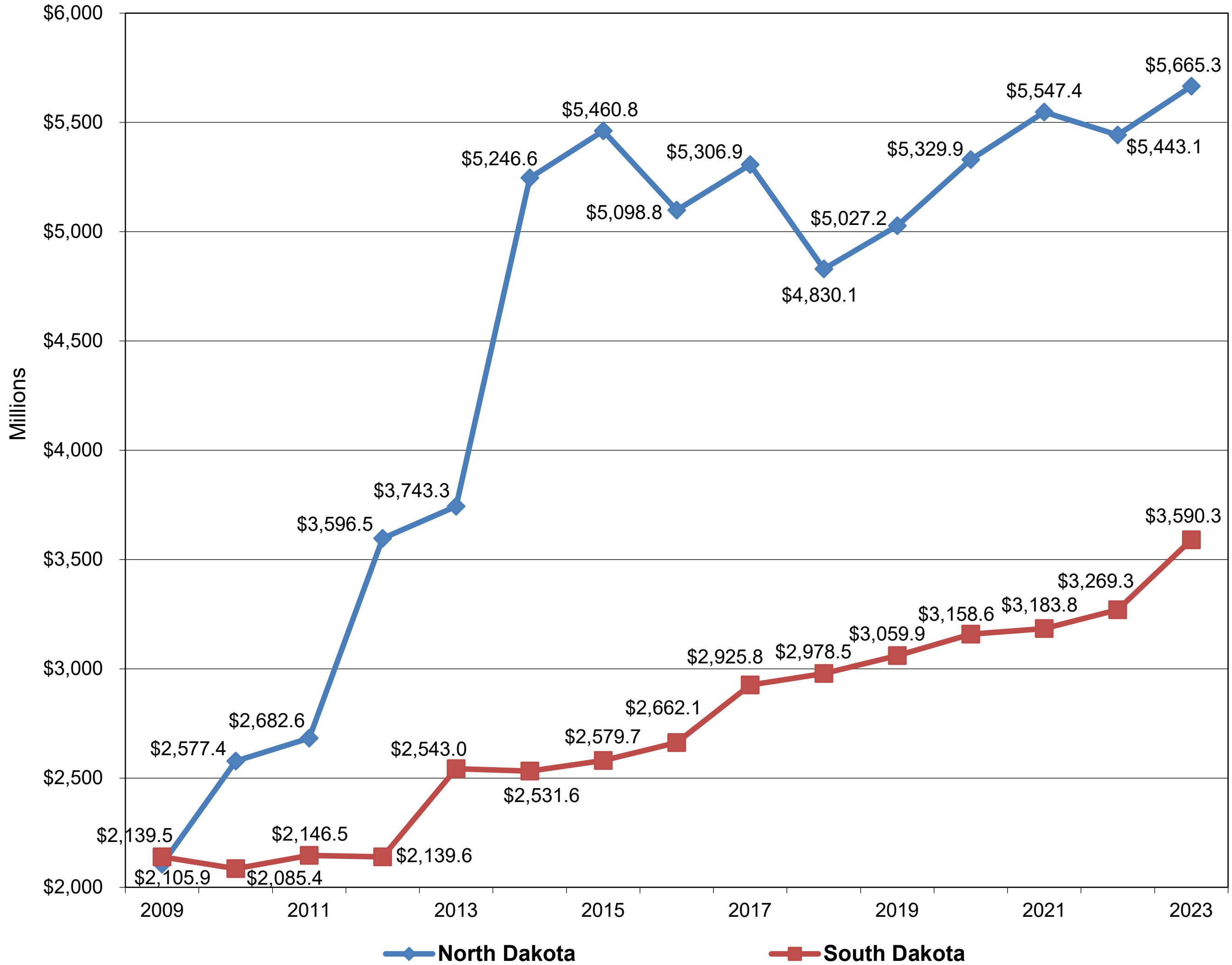
Legislative Council

North Dakota Legislative Council

Prepared for Representative Becker
23.9343.01000
August 2022

COMPARISON OF NORTH DAKOTA STATE APPROPRIATIONS TO SOUTH DAKOTA STATE APPROPRIATIONS

This memorandum provides information regarding appropriations of state funds by North Dakota and South Dakota from fiscal year 2009 through fiscal year 2023. The following graph identifies North Dakota state appropriations and South Dakota original state appropriations, excluding federal funds, since fiscal year 2009. The annual North Dakota amounts represent 49 percent of the biennial appropriation for the 1st year of each biennium and 51 percent of the biennial appropriation for the 2nd year of each biennium.

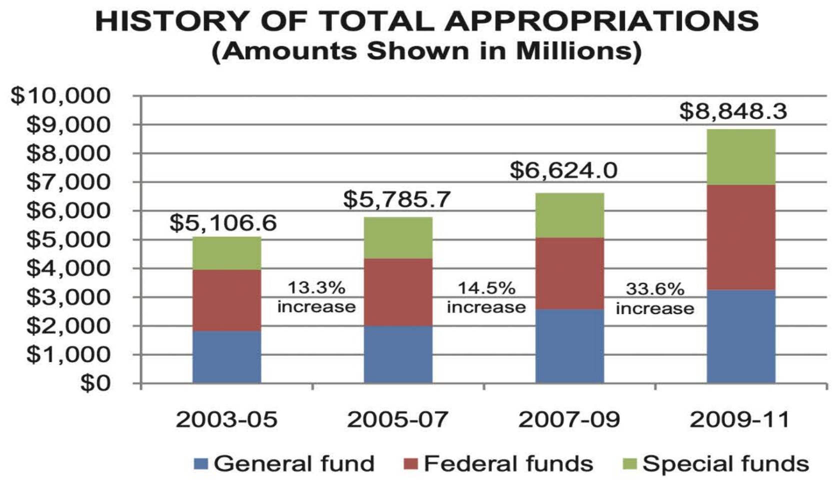


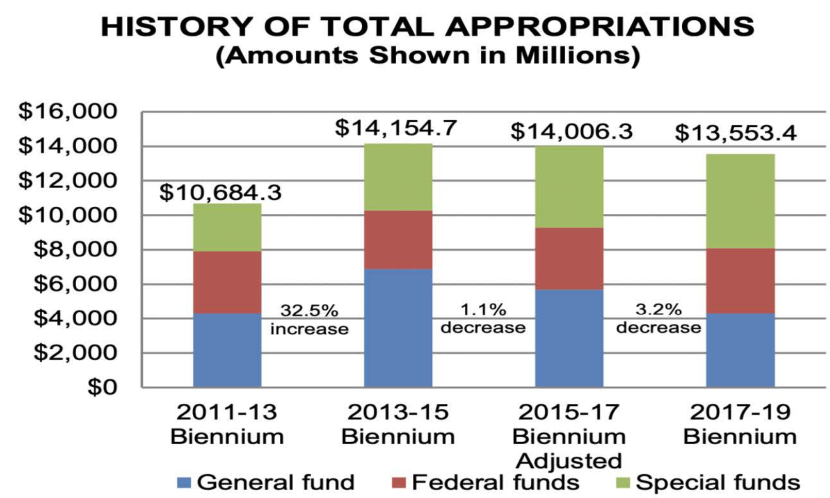
Additional detail regarding state appropriations by North Dakota and South Dakota is provided in the following schedule:

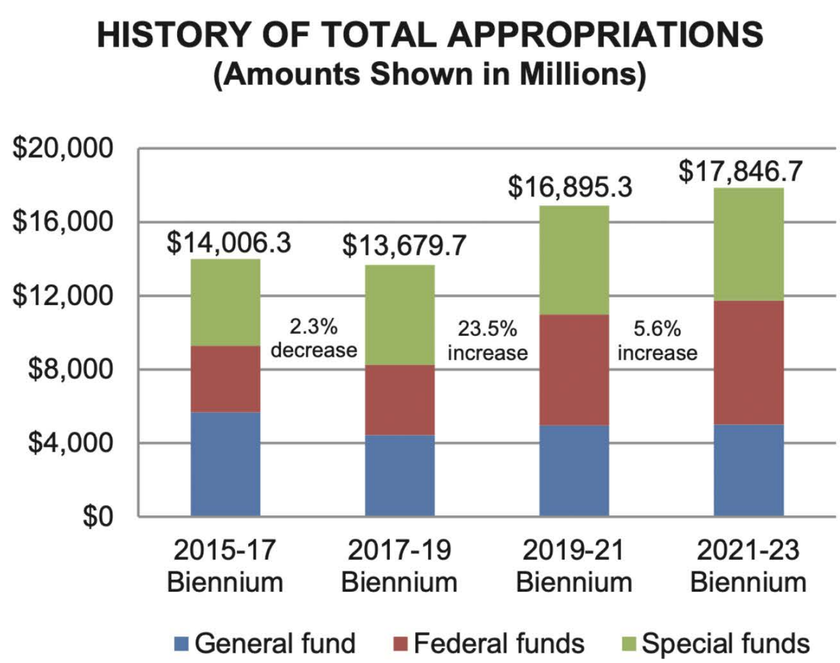
Fiscal Year	North Dakota			South Dakota			Difference Total
	General Fund	Other Funds	Total	General Fund	Other Funds	Total	
2009	$1,312,899,770	$793,040,716	$2,105,940,486	$1,220,090,055	$919,365,350	$2,139,455,405	($33,514,919)
2010	1,615,331,868	962,050,270	2,577,382,138	1,133,975,639	951,430,291	2,085,405,930	491,976,208
2011	1,681,263,781	1,001,317,627	2,682,581,408	1,164,617,153	981,865,199	2,146,482,352	536,099,056
2012	2,105,530,569	1,490,947,696	3,596,478,265	1,150,285,248	989,310,838	2,139,596,086	1,456,882,179
2013	2,191,470,592	1,551,802,705	3,743,273,297	1,246,026,657	1,296,954,636	2,542,981,293	1,200,292,004
2014	3,371,038,976	1,875,579,148	5,246,618,124	1,327,449,577	1,204,111,436	2,531,561,013	2,715,057,111
2015	3,508,632,404	1,952,133,399	5,460,765,803	1,391,836,433	1,187,851,294	2,579,687,727	2,881,078,076
2016	2,786,773,036	2,311,987,971	5,098,761,007	1,433,107,085	1,229,024,216	2,662,131,301	2,436,629,706
2017	2,900,518,875	2,406,354,827	5,306,873,702	1,598,139,847	1,327,642,689	2,925,782,536	2,381,091,166
2018[1]	2,168,653,183	2,661,409,214	4,830,062,397	1,590,098,880	1,388,382,343	2,978,481,223	1,851,581,174
2019[1]	2,257,169,639	2,770,038,162	5,027,207,801	1,641,545,684	1,418,360,081	3,059,905,765	1,967,302,036
2020[1]	2,432,900,551	2,896,963,128	5,329,863,679	1,700,739,356	1,457,871,721	3,158,611,077	2,171,252,602
2021[1]	2,532,202,615	3,015,206,520	5,547,409,135	1,742,576,075	1,441,239,074	3,183,815,149	2,363,593,986
2022[1,2]	2,455,124,092	2,987,992,307	5,443,116,399	1,818,313,439	1,451,012,100	3,269,325,539	2,173,790,860
2023[1,2]	2,555,333,238	3,109,951,177	5,665,284,415	2,061,336,475	1,528,948,041	3,590,284,516	2,074,999,899
Total	$35,874,843,189	$31,786,774,867	$67,661,618,056	$22,220,137,603	$18,773,369,309	$40,993,506,912	$26,668,111,144

[1]Beginning with fiscal year 2018, North Dakota other funds appropriations include other funds for the North Dakota University System. Previously, other funds appropriations for the University System were provided only for certain items, such as capital projects. The University System does not identify the amount of federal funds included in other funds.

[2]Federal funds are not separately appropriated by the North Dakota Legislative Assembly, so the fiscal years 2022 and 2023 other funds amounts represent total other funds appropriations, less estimated federal funds appropriations of $6,738,294,683.







Doesn't inflation and our population growth make the increased spending necessary?

2003/05 Budget - $5.1B

2005 population - 635,365

Spending/capita - $8,037

Inflation from 2005-2021
CPI change - 36.4%

2005 Spending per capita increased by inflation is $10,962.46

2021 population - 774,948

Inflation-adjusted spending per capita applied to the increased population indicates that the 2003/05 budget should be $8.5B for 2021/23

A 2021/23 budget of $8.5B is a 67% increase from 2003/05

Instead the budget increased a whopping 249%

The 2021/23 budget is $9.3B more than a budget that increased only for inflation and population growth.

No, inflation and population growth do not explain the spending increase.

A budget increase of 67% over 10 years

A budget increase of 249% over 18 years

North Dakota Legislative Council

Prepared for Representative Becker
LC# 23.9242.01000
December 2021

6a

PROPERTY TAX RELIEF PROGRAMS - 2007-09 THROUGH 2021-23 BIENNIUMS

The schedule below provides information on property tax relief programs provided by the Legislative Assembly for the 2007-09 biennium through the 2021-23 biennium.

	Estimated Fiscal Impact								
	2007-09 Biennium	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium	2017-19 Biennium	2019-21 Biennium	2021-23 Biennium	Total
School-related mill levy reductions									
Mill levy reduction grants		$299,444,264	$341,790,000						$641,234,264
Mill levy reduction in integrated school formula payments				$656,473,838[1]	$988,000,000[2]	$1,081,000,000[2]	$1,160,000,000[2]	$1,235,000,000[2]	5,120,473,838
Total school-related mill levy reductions	$0	$299,444,264	$341,790,000	$656,473,838	$988,000,000	$1,081,000,000	$1,160,000,000	$1,235,000,000	$5,761,708,102
Homestead and disabled veterans' tax credits									
Homestead and disabled veterans' property tax credit programs	$8,104,000	$10,774,000	$14,018,563	$27,678,000	$25,865,091	$24,820,200	$28,250,200	$34,300,000	$173,810,054
Homestead income tax credit for property tax relief	112,000,000								112,000,000
Total homestead tax credits	$120,104,000	$10,774,000	$14,018,563	$27,678,000	$25,865,091	$24,820,200	$28,250,200	$34,300,000	$285,810,054
Other property tax relief									
State-paid property tax relief credits (12 percent property tax credit)				$200,000,000	$241,525,000				$441,525,000
State funding of certain county costs of child welfare and service payments for elderly and disabled services					19,300,000	$23,300,000	$23,300,000	$0[3]	65,900,000
State grants to counties - Emergency human service levies					3,900,000				3,900,000
County economic assistance and social services financing pilot program						160,700,000			160,700,000
County social and human services project							173,700,000	189,917,386	363,617,386
State funding of clerk of court costs formerly paid by counties	$13,587,187	$15,253,306	$16,795,673	20,432,528	24,603,806	23,936,056	24,957,631	25,212,502	164,778,689
Total other property tax relief	$13,587,187	$15,253,306	$16,795,673	$220,432,528	$289,328,806	$207,936,056	$221,957,631	$215,129,888	$1,200,421,075
Total property tax relief	$133,691,187	$325,471,570	$372,604,236	$904,584,366	$1,303,193,897	$1,313,756,256	$1,410,207,831	$1,484,429,888	$7,247,939,231

[1]Prior to 2013, state school aid funding was based on a per-student formula payment. The state school aid funding included mill levy reduction grants, which provided a reduction in school district property tax levies. The 2013 Legislative Assembly approved the implementation of a new formula, which integrates property tax relief in the K-12 state school aid funding formula. Funding for the formula is provided through a combination of local tax sources, local revenue, and state school aid payments. The amount shown for the 2013-15 biennium reflects an estimate from the Department of Public Instruction, which was based on the per-student formula that was used prior to fiscal year 2013.

[2]This amount is an estimate based on the value of 115 mills statewide. In 2013 the Legislative Assembly approved the integration of property tax relief into the state school aid funding formula to provide for a mill levy buydown totaling 125 mills, 50 mills more than the previous biennium. The changes made in 2013 allow school districts to levy an additional 10 mills for general fund purposes; therefore, the mill levy reduction estimate used in the calculation above is 115 mills (125 mill buydown less the 10 mills of additional general fund levy authority).

[3]The Department of Human Services is unable to determine the amount of general fund support in the department's legislative appropriation for paying the county costs of child welfare, service payments for elderly and disabled, and technology costs.

IMPACT OF STATE-PAID PROPERTY TAX RELIEF ON INDIVIDUAL PROPERTY TAXPAYERS

The first step in calculating a property's taxable valuation is determining the property's true and full value. 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 the assessed value, which is 9 percent for residential property. Applying these calculations, a parcel of residential property with a true and full value of $200,000 would have an assessed value of $100,000 and a taxable value of $9,000.

Once valuations are finalized, each taxing district prepares a budget to determine the amount of property tax revenue required by the taxing district. Generally, to determine the overall mill rate for a taxing district, the county auditor verifies the amounts levied are within statutory 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.

One mill is equal to one-tenth of 1 percent of a property's taxable value, or $1 for each $1,000 of taxable value. Thus, the value of one mill varies for each property based on the property's taxable value. For example, property taxes assessed against a property with a taxable value of $9,000 would be equal to $9 per mill levied by each taxing district, while property taxes assessed against a neighboring residential property with a taxable value of $18,000 would be equal to $18 per mill levied.

For the 2019-21 biennium, the total statewide property tax burden was $3,529,551,091. The amount of that figure paid by state sources was $1,410,207,831, leaving a remaining $2,119,343,260 to be paid by property owners. The state-paid property tax relief results in a 39.95 percent overall reduction in the property tax burden statewide.

If we assumed an equivalent 39.95 percent reduction on a home with a true and full value of $200,000, and assume the property is subject to a total combined mill levy by all taxing districts of 250 mills, the resulting tax reduction in dollars would be $898.88, which would equate to just under a 100-mill reduction.

Property Taxes Paid as a Percentage of Owner-Occupied Housing Value

Calendar Year 2020

State	Effective Tax Rate	Rank	State	Effective Tax Rate	Rank
U.S.	1.08%		Mont.	0.75%	33
Ala.	0.39%	49	Nebr.	1.61%	8
Alaska	1.02%	21	Nev.	0.60%	41
Ariz.	0.65%	39	N.H.	1.96%	3
Ark.	0.64%	40	N.J.	2.21%	1
Calif.	0.73%	34	N.M.	0.66%	37
Colo.	0.54%	47	N.Y.	1.38%	13
Conn.	1.76%	5	N.C.	0.82%	31
Del.	0.59%	42	N.D.	0.95%	23
Fla.	0.91%	26	Ohio	1.56%	9
Ga.	0.91%	25	Okla.	0.88%	27
Hawaii	0.31%	50	Ore.	0.94%	24
Idaho	0.70%	35	Pa.	1.49%	11
Ill.	2.05%	2	R.I.	1.43%	12
Ind.	0.84%	30	S.C.	0.56%	45
Iowa	1.50%	10	S.D.	1.18%	17
Kans.	1.32%	15	Tenn.	0.68%	36
Ky.	0.82%	32	Tex.	1.66%	6
La.	0.54%	48	Utah	0.59%	43
Maine	1.25%	16	Vt.	1.82%	4
Md.	1.04%	20	Va.	0.87%	29
Mass.	1.14%	18	Wash.	0.88%	28
Mich.	1.38%	14	W.Va.	0.55%	46
Minn.	1.10%	19	Wis.	1.63%	7
Miss.	0.65%	38	Wyo.	0.56%	44
Mo.	0.99%	22	D.C.	0.61%	(41)

North Dakota Ranking Among States

2011	1.23%	16th highest
2020	0.95%	23rd highest***
2020	1.33-2.1%	15th-2nd highest

2021 Grand Forks County Real Estate Tax Statem

7

Parcel Number 44-3107-00026-000 — **Jurisdiction** Grand Forks City

Owner [redacted] — **Physical Location** [redacted]E RD GRAND FORKS

1.46%=2.12%

Acres: 0

Legal Description
Subdivision: [redacted] HEIGHTS ADDITION
[redacted] RD. LOT 10
B02

Legislative tax relief (3-year comparison)	2019	2020	2021
Legislative tax relief	1,671.52	1,679.17	1,683.73

Tax distribution (3-year comparison):	2019	2020	2021
True and Full Value	253,600	253,600	255,000
Taxable Value	11,412	11,412	11,475
Less: Homestead credit	0	0	0
Disabled Veterans credit	0	0	0
Net Taxable Value	11,412	11,412	11,475
Total mill levy	320.870	317.820	325.190
Taxes By District (in dollars):			
City	1,126.00	1,116.88	1,113.32
Park	445.07	435.84	434.68
County	902.60	887.17	874.84
School	1,152.60	1,151.92	1,273.72
Soil Conservation	12.66	12.32	12.04
State	11.42	11.42	11.48
Garrison Diversion	11.42	11.42	11.48
Consolidated tax	3,661.77	3,626.97	3,731.56
Net effective tax rate	1.44%	1.43%	1.46%

2021 Cass County Real Estate Tax Statement

Parcel Number: [redacted]000 — **Jurisdiction:** West Fargo City

Owner: [redacted] — **Physical Address:** [redacted]W WEST FARGO, ND 58078

Legal Description:
Lot: 6 Block: 1 Addition: Oakwood Bend 1st Addition Additional: OAKWOOD BEND 1ST LT 6 BLK 1
**ANNEXED 2002

1.39%=2.0%

	2019	2020	2021
Legislative tax relief	4,048.58	3,956.25	4,393.84
Property Valuation			
True & Full Value	652,500	636,200	716,000
Taxable Value	29,363	28,629	32,220
Total mill levy	300.09	299.91	309.12
Summary of Taxes			
Consolidated Tax	8,811.54	8,586.12	9,959.85
Total Tax	8,811.54	8,586.12	9,959.85
Taxes by District (in dollars)			
County	1,535.68	1,462.08	1,636.78
State Medical	29.36	28.63	32.22
County Soil Conservation	11.16	12.60	15.79
City of West Fargo	2,289.73	2,217.89	2,614.33
West Fargo Park Distist	794.56	760.10	929.22
West Fargo Public School District #6	4,030.37	3,992.31	4,612.62
Southeast Water Resource District	120.68	112.51	118.89
Total Tax	8,811.54	8,586.12	9,959.85
Net effective tax rate %	1.35	1.35	1.39

2021 Burleigh County Real Estate Tax Statement

Parcel Number [redacted]5 — **Jurisdiction** 010101

Owner [redacted] — **Physical Location** [redacted]O DR BISMARCK, ND

Legal Description
Addition [redacted] 5TH
BLK:6
[redacted] Block: 6 LOT 8

1.14%=1.77%

Legislative tax relief (3-year comparison)	2019	2020	2021
Legislative tax relief	2,110.67	2,265.97	2,325.38

Tax distribution (3-year comparison):	2019	2020	2021
True and Full Value	337,800	363,600	373,500
Taxable Value	15,201	16,362	16,808
Less: Homestead credit	0	0	0
Disabled Veterans credit	0	0	0
Net Taxable Value	15,201	16,362	16,808
Total mill levy	236.590	244.940	254.140
Taxes By District (in dollars):			
City	895.02	1,124.05	1,306.82
County	536.60	562.20	578.20
Park	520.16	551.24	568.10
School (after State Reduction)	1,629.43	1,753.86	1,801.66
State	15.20	16.36	16.80
Consolidated tax	3,596.41	4,007.71	4,271.58
Net effective tax rate	1.06%	1.10%	1.14%

Table 33 - Property Taxes Paid as a Percentage of Owner-Occupied Housing Value 8

Download Table 33 as an Excel File

Property Taxes Paid as a Percentage of Owner-Occupied Housing Value

Calendar Year 2020

State	Effective Tax Rate	Rank
United States	1.08%	
New Jersey	2.21%	1
Illinois	2.05%	2
New Hampshire	1.96%	3
Vermont	1.82%	4
Connecticut	1.76%	5
Texas	1.66%	6
Wisconsin	1.63%	7
Nebraska	1.61%	8
Ohio	1.58%	9
Iowa	1.50%	10
Pennsylvania	1.49%	11
Rhode Island	1.43%	12
New York	1.38%	13
Michigan	1.38%	14
Kansas	1.32%	15
Maine	1.25%	16
South Dakota	1.18%	17
Massachusetts	1.14%	18
Minnesota	1.10%	19
Maryland	1.04%	20
Alaska	1.02%	21
Missouri	0.99%	22
North Dakota	0.95%	23

Property Tax Elimination and Replacement Info
Source of Replacement

1. We must first acknowledge that spending in the state budget for the last decade or more has been rampant.
2. Similar to #1, we can show the very high revenue per capita in North Dakota relative to other states. The degree to which we show that the state takes in and spends revenue which exceeds the expected per capita needs of the state, sets the foundation for how the state may replace the revenue currently levied in property taxes, in part or in whole, without raising taxes.
3. Recognize that the state's budget is not static. It changes every two years. The amounts that are spent on programs and agencies change. The amounts of revenue in income tax, sales tax, oil taxes, etc change biennium to biennium. Formulas for how to spend and how much to spend change. The legislature sets up "buckets" of funds that revenue fills, and when a bucket is full, the revenue spills over to fill the next bucket. The legislature commonly rearranges and changes the buckets. The amount of money available in different funds at the end of a biennium changes. Additionally, we must remember that the money the state takes in revenue is fungible, meaning it can be effortlessly moved from one area to another, from one fund to another, from one type of expenditure to another.
4. When we show how property taxes can be replaced, we are not only giving one example of numerous ways in which the revenue can be replaced, we are giving the example based on circumstances *at that time.* I have previously shown in 2019, 2021, and now in 2023, by different examples how we can replace the property tax revenue. Because the legislature routinely and necessarily changes the budget parameters every biennium, any example of how we replace the property tax revenue also changes, because we must show it relative to the particulars of the state budget *at that time.* Also, at the completion of the current legislative session we can identify wasteful or imprudent spending that could be curbed, and those monies used to further offset the need for replacement revenue.
5. Stated simply, the budget is not static, therefore, the method of replacing property tax revenue is not static. We must simply and reliably show that by any number of methods, the legislature has the ability to replace property tax revenue without the need to increase sales tax or income tax.
6. Lastly we know that property tax replacement needs will go up every year, however, total state revenue also goes up every year, which fully addresses that aspect. We must not assess future needs based on current revenue.

Example for derivation of state revenue to replace property tax revenue: 2023, prior to the 2023-2025 Budget development.

Property Tax
Elimination and Replacement Plan 2023

Example using 2021 property tax numbers (annual)
All of these numbers are *annual*, not to be confused with budget numbers, which are biennial.

$1.41B Total Property Taxes
(-) 147M Special Assessments
(-) 110M General Bonds
(-) 94M Centrally Assessed Taxes
(-) 41M Special Taxes
(the above deductions are in play because the measure does not eliminate these items
$1B to be replaced annually

Replace with:
$125M convert Prairie Dog funds to Prop Tax Replace Fund and make permanent
$125M Legacy Fund Earnings (could be more, or less)
$150M 3% Title Transfer Tax (IF the legislature chose to implement)
$ 75M Foundation Aid Stabilization Excess (this will change)
$ 50M BND Profits (could also add State Mill profits)
$475M 1.25% Spending Cut X 4 Bienniums (Cut the state budget by only 1.25% successively for each of the next 4 bienniums, this savings will cover at least $475M per year by the 4th biennium (1.25%, 2.5%, 3.75%, 5%). The savings will initially need to be augmented in the first three bienniums as the savings % increases. The state will have $3B in excess funds at the end of the 2021-2023 biennium. Take a portion of those funds and put into the Property Tax Replacement Fund. Use $675M in the first biennium, $450M in the second, and $225M in the third. No longer needed in the fourth biennium.
$1B replaced annually

This is one of many examples of how property tax revenue can be replaced with state tax revenue. Upcoming changes to the state budget and formulas will necessitate a change in the replacement plan.

Prepared for Representative Becker
23.9346.02000
October 2022

PRELIMINARY ESTIMATE OF POTENTIAL FUNDING NEEDED TO REPLACE PROPERTY TAX REVENUES

This memorandum provides preliminary information on the potential fiscal effect of eliminating property taxes in the state.

Property taxes levied in 2021 payable in 2022 totaled $1.410 billion, consisting of $575 million for schools, $434 million for cities, $329 million for counties, and $72 million for other districts. Of the $1.410 billion total, $147 million was for special assessments, $94 million for centrally assessed taxes, and $41 million for special taxes. In addition, based on property taxes payable in 2019, an estimated $108 million of property taxes levied relate to payments on bonded indebtedness of schools ($83 million), cities ($22 million), and counties ($3 million). These special and centrally assessed taxes, bond payment obligations, and assessments likely would not be eliminated as part of a property tax elimination proposal, leaving $1.020 billion of property tax revenue to be eliminated based on property taxes levied in 2021 (the most current information available). If a proposal to eliminate property taxes becomes effective January 1, 2025, political subdivisions would no longer be allowed to levy property taxes beginning in 2025 payable in 2026. Therefore, assuming a 4.1 percent annual increase in property tax collections for the 4 years between 2021 and 2025 (4.1 percent is the average annual increase for property taxes levied during the 4-year period 2017 to 2021), the amount of property tax revenue that would need to be replaced in 2025 would be $1.198 billion per year or $2.396 billion per biennium. The 2021-23 biennium state budget totals $17.847 billion, including general fund, special funds, and federal funds; therefore, the $2.396 billion needed to replace property tax revenues would be equivalent to 13 percent of the total state budget. Please note the $2.396 billion is based on estimated property taxes that would be levied in 2025 doubled for the biennial estimate and does not include any projected inflationary or other increases beyond 2025.

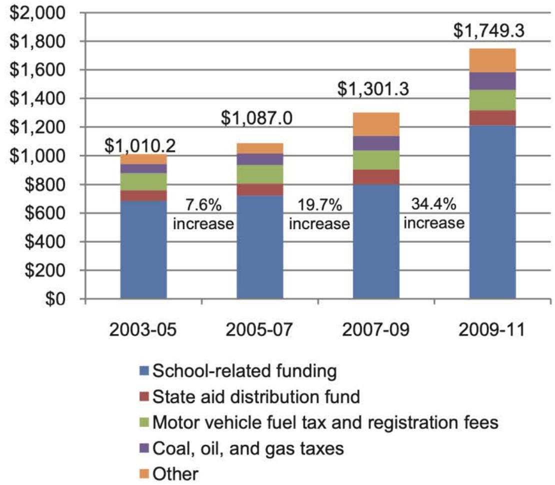
57-39.2-26.3. County aid distribution fund - State treasurer - Continuing appropriation. (Effective through June 30, 2023)

1. There is created in the state treasury the county aid distribution fund. The fund consists of all moneys transferred to the fund under subsection 2. All moneys in the fund are appropriated to the state treasurer on a continuing basis for the purpose of providing allocations to an eligible county.
2. Notwithstanding any other provision of law, a portion of sales, gross receipts, use, and motor vehicle excise tax collections, equal to one-fourth of one percent of an amount determined by multiplying the quotient of one percent divided by the general sales tax rate, that was in effect when the taxes were collected, times the net sales, gross receipts, use, and motor vehicle excise tax collections under chapters 57-39.2, 57-39.5, 57-39.6, 57-40.2, and 57-40.3 must be deposited by the state treasurer in the county aid distribution fund. The tax commissioner shall certify to the state treasurer the portion of sales, gross receipts, use, and motor vehicle excise tax net revenues that must be deposited in the county aid distribution fund as determined under this subsection.
3. At least quarterly, the state treasurer shall allocate the moneys in the fund to the county with the lowest ratio of taxable property values per capita and a population of more than ten thousand.
4. The county treasurer shall deposit all revenues received under this section in the county general fund.
5. For purposes of determining taxable property values under this section, the state treasurer shall use the most recent data published by the tax commissioner in the tax levy report.

6. For purposes of determining the county's population under this section, the state treasurer shall use the most recent actual or estimated census data published by the United States census bureau.

ASSISTANCE TO POLITICAL SUBDIVISIONS
(Amounts Shown in Millions)

The following is a summary of major state appropriations and revenue allocations for direct assistance to political subdivisions:



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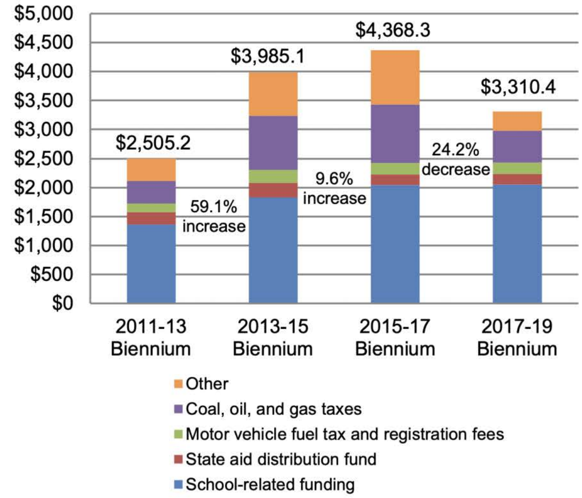

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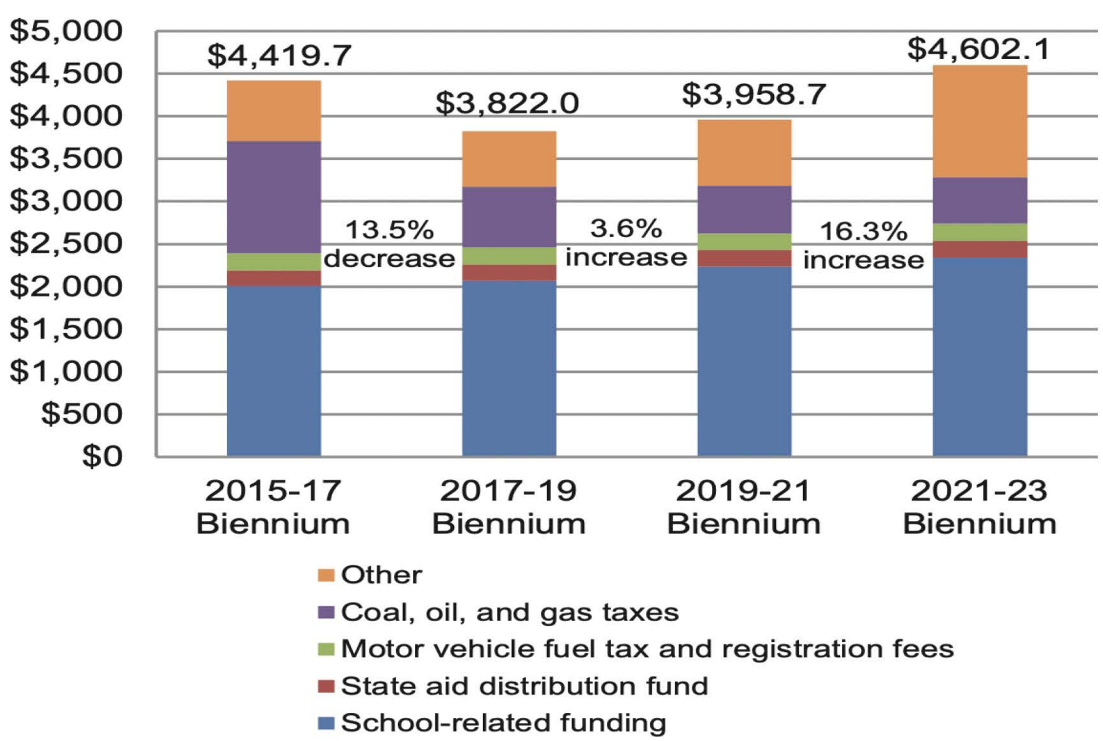

13

Testimony Prepared for the
House Judiciary Committee
March 8, 2020
By: Terry Traynor, NDACo Executive Director

NDACo
NORTH DAKOTA ASSOCIATION OF COUNTIES

RE: House Concurrent Resolution 3038 – Opposition

Mr. Chairman and committee members, county government is opposed to the elimination of property taxes supporting local government in North Dakota. If the goal is to require adequate local support with just a replacement of the taxing source, this Constitutional change would fall short, as it only requires replacement at "current year" levels. However, if the goal is to gradually squeeze government expenditures for fire and police protection, criminal prosecution and jails, road and street maintenance, veteran's services, extension service, weed control, coroner's services, public health, 9-1-1 dispatch, emergency management, public recreation, and a host of other local services required by state law and demanded by our citizens, I suspect we would see that result. With the state assumption of social service costs, the largest property tax supported service – the place that would ultimately take the greatest reduction over time – is law enforcement, prosecution, and jails.

Wrong. Replacement funding would increase every year by formula, just like the numerous other state to local funding mechanisms in place (see Assist to Political Subs chart).

Property taxes are a significant part of every local budget, and except for sales taxes through home rule, there are few other options for raising revenue. This leaves local government to seek state support for the growing costs of staff compensation, equipment, infrastructure repair and construction, and everything else. Currently, ad valorem taxes total over $2.2 Billion per biennium, and those payments in lieu of property taxes receipted locally add another $50 million. Important to remember – Gross Production Taxes on oil and gas and both Coal Extraction and Coal Conversion Taxes, although collected by the state, were imposed as in lieu of property taxes. One could argue that if the underlying property tax is prohibited, "in lieu" of property taxes would also be prohibited. North Dakota faced this when it attempted to exempt all personal property except for that belonging to the railroads.

Wrong. Merely a scare tactic, as the State Constitution prohibits the state from raising prop taxes already, yet the state CAN/DOES levy In Lieu of taxes.

As this committee is aware, the relative needs of every jurisdiction regularly evolve as populations grow and shift, as fire and EMS district boundaries change, as cities annex new development, as schools consolidate, as industries shift locations. If the Legislature were forced to fully fund local government in a manner that would truly keep pace with the needs of our businesses and our citizens, it would likely take year-round, annual sessions to debate the appropriate level of support for every county, school, city, park, township, fire district, EMS district, weed control district, water resource district, vector control district, and recreational service district in the state.

Wrong. The state currently sends $2.3B to the subs annually without year-round legislative sessions. Adding $1B more would not suddenly change the entire method of how the legislature funds the local subs.

Unfortunately, those that understand the impact of this measure – Legislators and locally elected leaders – are poorly positioned to educate the citizens on the impacts of this measure. Government funds cannot be used to advocate for or against such measures. And this measure sounds awfully attractive, until one learns the long-term impacts, and understand the funding challenges the Legislature is faced with already.

Please give HCR3038 a Do Not Pass Recommendation

"What are the benefits of eliminating property taxes?"

- "Encourages homeownership: Eliminating property taxes reduces the cost of owning a home, making it more accessible and affordable for more people to achieve the American Dream of homeownership.
- Increases economic growth: By reducing the costs for both homeowners and businesses, eliminating property taxes can encourage investment in the state, leading to more economic growth and job creation.
- Stimulates consumer spending: With reduced property tax expenses, homeowners will have more discretionary income to spend on goods and services, which can stimulate consumer spending and provide a boost to the state's economy.
- Improves competitiveness: By reducing the tax burden on homeowners and businesses, eliminating property taxes can make the state more competitive with other states that have lower tax rates, making it more attractive for businesses and individuals to relocate or invest.
- Reduces administrative burden: Property taxes are complex and require significant resources to administer. Eliminating them can reduce the administrative burden on local governments and simplify the tax system, leading to more efficient government operations.
- Increases fairness: Eliminating property taxes can create a fairer tax system that does not unfairly burden lower-income households, as property taxes can be regressive and may disproportionately impact these households.
- Boosts property values: Eliminating property taxes can increase property values by making homeownership more affordable and accessible, leading to increased demand for homes in the state.
- Benefits apartment renters: Eliminating property taxes can reduce the cost of property ownership, which can lead to more affordable housing options for renters, as landlords may be able to pass on cost savings to tenants in the form of lower rent prices."

PROPERTY TAX ELIMINATION INITIATED MEASURE - ANALYSIS OF ISSUES RAISED BY THE PROPERTY TAX MEASURE REVIEW COMMITTEE

PRELIMINARY CONSIDERATIONS

The basic rules of statutory construction apply with equal force to legislation by the people through the initiative process. 42 Am. Jur. 2d *Initiative and Referendum* § 49. The fact that the measure being reviewed is an initiated constitutional amendment does not change the basis of judicial construction. The North Dakota Supreme Court has stated that principles of construction applicable to statutes are generally available to construction of the constitution. *McCarney v. Meier*, 286 N.W.2d 780 (N.D. 1979). In *Kelsh v. Jaeger*, 641 N.W.2d 100 (N.D. 2002), the North Dakota Supreme Court listed several principles for construing constitutional provisions, including:

- When interpreting the state constitution, our overriding objective is to give effect to the intent and purpose of the people adopting the constitutional statement.
- The intent and purpose of a constitutional provision is to be determined, if possible, from the language itself.
- We give words in a constitutional provision their plain, ordinary, and commonly understood meaning.
- When interpreting constitutional provisions, we apply general principles of statutory construction.
- We must give effect and meaning to every provision and reconcile, if possible, apparently inconsistent provisions.
- We presume the people do not intend absurd or ludicrous results in adopting constitutional provisions, and we therefore construe such provisions to avoid those results.

Rules of interpretation for statutory provisions are described at 73 Am. Jur. 2d *Statutes* § 171 as follows:

> It is generally regarded as permissible to consider the consequences of a proposed interpretation of a statute, where the act is ambiguous in terms and fairly susceptible of two constructions. Under such circumstances, it is presumed that undesirable consequences were not intended; instead, it is presumed that the statute was intended to have the most beneficial operation that the language permits. A construction of which the statute is fairly susceptible is favored which will avoid all objectionable, mischievous, indefensible, wrongful, evil, and injurious consequences. On the other hand, where a statute is so plain and unambiguous that it is not susceptible of more than one construction, courts construing the same should not be concerned with the consequences resulting therefrom. The undesirable consequences do not justify a departure from the terms of the act as written. In such case, the consequences, if objectionable, can only be avoided by a change of the law itself, to be effected by the legislature, and not by judicial action in the guise of interpretation.

The North Dakota Legislative Assembly has set out in statute rules of interpretation to be used in statutory construction. Most of these rules were drawn from court decisions and are codified in North Dakota Century Code Chapter 1-02, which, among other things, includes the following provisions:

> **1-02-02. Words to be understood in their ordinary sense.** Words used in any statute are to be understood in their ordinary sense, unless a contrary intention plainly appears, but any words explained in this code are to be understood as thus explained.
>
> **1-02-05. Construction of unambiguous statute.** When the wording of a statute is clear and free of all ambiguity, the letter of it is not to be disregarded under the pretext of pursuing its spirit.
>
> **1-02-06. Clerical and typographical errors.** Clerical and typographical errors shall be disregarded when the meaning of the legislative assembly is clear.
>
> **1-02-07. Particular controls general.** Whenever a general provision in a statute is in conflict with a special provision in the same or in another statute, the two must be construed, if possible, so that effect may be given to both provisions, but if the conflict between the two provisions is irreconcilable the special provision must prevail and must be construed as an exception to the general provision, unless the general provision is enacted later and it is the manifest legislative intent that such general provision shall prevail.
>
> **1-02-30. Vested rights protected.** No provision contained in this code may be so construed as to impair any vested right or valid obligation existing when it takes effect.
>
> **1-02-38. Intentions in the enactment of statutes.** In enacting a statute, it is presumed that:
>
> 1. Compliance with the constitutions of the state and of the United States is intended.
> 2. The entire statute is intended to be effective.
> 3. A just and reasonable result is intended.
> 4. A result feasible of execution is intended.
> 5. Public interest is favored over any private interest.

1-02-39. Aids in construction of ambiguous statutes. If a statute is ambiguous, the court, in determining the intention of the legislation, may consider among other matters:

1. The object sought to be attained.
2. The circumstances under which the statute was enacted.
3. The legislative history.
4. The common law or former statutory provisions, including laws upon the same or similar subjects.
5. The consequences of a particular construction.
6. The administrative construction of the statute.
7. The preamble.

CONSIDERATION OF ISSUES RAISED BY THE COMMITTEE

Effective Date Issues

Section 7 of initiated constitutional measure No. 2 (attached as an appendix) on the June 12, 2012, primary election ballot (measure No. 2) provides that the measure is effective January 1, 2012. Section 8, Article III, of the Constitution of North Dakota, provides that an initiated or referred measure which is approved shall become law 30 days after the election, which in the case of measure No. 2 would be July 12, 2012. It appears the drafters of the initiated measure recognized the absurdity and administrative and legal difficulties that would exist if the property tax were eliminated in the course of a property tax year. It appears the effective date provision, which would be more appropriately considered an application date provision, was included to make the property tax elimination effective beginning with the full 2012 property tax year. What is prohibited by Section 1 of measure No. 2 is "levying" of property tax. The levying of a tax occurs at a definite time by action of the governing body of a political subdivision, which cannot occur later than October 10 (Section 57-15-31.1). The 2011 levy occurred before and the 2012 levy will occur after any potential interpretation of the effective date of measure No. 2. It appears the measure should be interpreted to apply for 2012 and succeeding tax years.

It appears the effective date of the measure would not affect 2011 property tax year liability because the liability for property taxes attaches at the conclusion of the 2011 tax year, which occurs at the same instant, or perhaps the instant just before, the measure would become effective. To interpret the measure as eliminating 2011 tax year liabilities would contravene Section 18, Article X, of the Constitution of North Dakota, which prohibits gifts of state or political subdivision funds "in aid of any individual, association or corporation except for reasonable support of the poor," because the North Dakota Supreme Court has concluded that once a tax liability has attached, any forgiveness of that obligation is an unconstitutional gift in violation of the constitutional prohibition. In *Petters & Co. v. Nelson County,* 281 N.W. 61 (N.D. 1938), the North Dakota Supreme Court held that real estate taxes paid by the purchaser of a tax sale certificate could not be refunded if no provision of law in existence at the time of the purchase authorized any refund of those taxes. The court found a later enacted law invalid to the extent that it provided for refund of such taxes on the grounds that the law violated the constitutional gift prohibition (Section 185 of the Constitution of North Dakota at that time) because at the time the purchaser paid the taxes, the purchaser had no legal, equitable, or moral claim to a refund. The court found that the subsequent legislative enactment allowing such a refund was an unconstitutional gift.

The North Dakota Supreme Court has concluded that the repeal of a tax does not extinguish tax liabilities that existed at the time of repeal and administrative and penalty provisions that existed at the time of repeal continue to apply to unpaid tax liabilities. *Cuthbert v. Smutz*, 282 N.W. 494 (1938). In *Cuthbert*, a 1935 income tax law enacted as an emergency measure was repealed by referendum in the 1936 primary election. The appellant argued that the 1936 repeal canceled any right to collect the 1935 income tax. The court disagreed and stated that the date December 31, 1935, was the date that fixed the period of liability for the income tax year and that date occurred before the referendum election. In addition, Section 1-02-17 provides that the repeal of any statute by the Legislative Assembly, or by the people through an initiated law, does not have the effect of releasing or extinguishing any penalty, fine, liability, or forfeiture incurred under such statute.

Effect on Property Taxes

Property taxes would be eliminated by enactment of measure No. 2 because all property taxes are levied on the assessed value of property. This would apply to general fund and special fund levies of all political subdivisions, including property taxes levied and dedicated to retirement of political subdivision indebtedness or tax increment financing projects. However, elimination of property taxes dedicated for bonded debt may be delayed in becoming effective.

The language of Section 1 of measure No. 2 appears to clearly eliminate levying property taxes dedicated to retirement of political subdivision general obligation bond issues because the taxes levied for those purposes are a tax on assessed value of real property. However, bonded indebtedness is issued under a contractual agreement between the political subdivision and the bondholders in which the political subdivision pledges to levy dedicated property taxes until the bonded indebtedness is retired. This contractual agreement would certainly be "substantially impaired" if the measure is interpreted to take away the authority to levy the property taxes required to make payments to bondholders. Whether this would constitute a violation of the contract clause of the United States Constitution (Article I, Section 10) is an issue that must be considered. The contract clause of the Constitution provides that "no state shall . . . pass any . . . law impairing the obligation of contracts . . . ." A similar prohibition is contained in Section 18, Article I, of the Constitution of North Dakota. A summary of court decisions on this issue is contained in 16B Am. Jur. 2d *Constitutional Law* § 787 where it is stated:

> The contract is substantially impaired when legislation detrimentally affects the financial framework that induced the bondholders to originally purchase the bonds, without providing alternative or additional security. This is true even if the market for the bonds remains strong following the law's enactment. The financial framework of a bond contract is detrimentally affected when a law put into effect after bonds were issued diminishes a tax source (that is, repeals a tax or reduces the tax base) that was pledged to support repayment of the bonds. However, as long as the bond-issuing entity is clearly able to repay its obligations within statutory and constitutional limitations, legislation reducing the entity's tax base does not impair the obligation of contracts in violation of the contract clause.

It appears that elimination of property taxes pledged to payment of bonded indebtedness would be a substantial impairment of contractual rights of bondholders, and a court could find measure No. 2 to be an unconstitutional violation of the United States Constitution's prohibition against impairment of contracts. However, the overriding objective of construing constitutional provisions is to give effect to the intent and purpose of the people adopting the constitutional provision. The North Dakota Supreme Court has ruled that if a statute is capable of two constructions--one that would render it of doubtful constitutionality and one that would not--the constitutional interpretation must be selected. *Peterson v. Peterson*, 559 N.W.2d 826 (1997). In addition, there is a statutory presumption (Section 1-02-38) that compliance with the federal and state constitutions is intended. The question would become whether there is an interpretation that would allow property taxes to continue to be levied after measure No. 2 becomes effective, to the extent of funds dedicated for payment for bonded indebtedness obligations. Political subdivision property taxes are generally thought to be levied annually. A plausible argument can be made that the property taxes for payment for bonded indebtedness obligations were actually "levied" before the effective date of the measure and that the obligation continues after the effective date of the measure. This argument would be supported by Section 21-03-15, which provides that the "governing body of every municipality issuing bonds . . ., before the delivery thereof, shall levy by recorded resolution or ordinance a direct, annual tax which, together with any other moneys provided by, or sources of revenue authorized by, the Legislative Assembly, shall be sufficient in amount to pay, and for the express purpose of paying, the interest on such bonds as it falls due, and also to pay and discharge the principal thereof at maturity." Additional support for this argument is found in Section 21-03-23, which requires certification to the county auditor at the time of a bond issue the amount to be levied each year to retire the debt.

The argument that the property taxes for payment of bonded indebtedness were levied before the effective date of measure No. 2 is further supported by Section 16, Article X, of the Constitution of North Dakota, which provides:

> Any city, county, township, town, school district or any other political subdivision incurring indebtedness shall, at or before the time of so doing, provide for the collection of an annual tax sufficient to pay the interest and also the principal thereof when due, and all laws or ordinances providing for the payment of the interest or principal of any debt shall be irrepealable until such debt be paid.

The argument is further supported by views that new law must be applied only looking forward in time, expressed in these two decisions of the North Dakota Supreme Court from the 1920s.

> *E.J. Lander & Co. v. Deemy*, 176 N.W. 922 (1920):
>
> The rule is that statutes are prospective, and will not be construed to have retroactive operation unless the language employed in the enactment is so clear it will admit of no other construction. . . . The rule is especially applicable where the statute, if given a retrospective operation, would be invalid, as impairing the obligation of contracts or interfering with vested rights. The principle that all statutes are to be so construed, if possible, as to be valid, requires that a statute shall never be given a retrospective operation, when to do so would render it unconstitutional, and the words of the statute admit of any other construction.
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> *Patterson Land Co. v. Merchants' Bank*, 212 N.W. 512 (1927):
>
> . . . statute must be presumed as prospective only. In other words, it must be presumed that the legislature did not intend it to apply to contracts in existence at the time of its going into effect. Otherwise the statute would be unconstitutional as impairing the obligations of contracts.

If the argument that taxes for existing debt were levied before the measure's effective date is valid, property taxes could continue to be collected until payment of the bonded indebtedness obligation is completed. If this argument is valid, another question would be raised about bonds issued by political subdivisions from January 1, 2012, (the declared effective date of measure No. 2) until July 12, 2012 (the effective date of measure No. 2 under the constitutional effective date provision). Because the law in effect during the time period in question would allow political subdivisions to pledge property tax revenues for payment of bonded indebtedness obligations, and because the outcome of the June 2012 election is not known until the election and canvass is completed, it appears an argument could be made that property tax levies pledged to bonded indebtedness obligations during that time period would be considered to be levied before the measure prohibits levying property taxes. However, caution must be advised on bond issues during that time period unless court decisions provide some certainty. It appears that if measure No. 2 is enacted, a political subdivision could not issue bonds after July 12, 2012, because the political subdivision could not make a valid levy of necessary property tax revenues.

If courts do not conclude that property taxes may continue to be levied for previously issued bonds and property tax authority is eliminated for payment of bonded indebtedness, another consideration is whether the state would be deemed to have assumed the bonded indebtedness obligation. If that is the case, it appears that would be a violation of the state's debt limit imposed by Section 13, Article X, of the Constitution of North Dakota, which limits state debt for bonds to $2 million, unless any additional amount is secured by first mortgage upon real estate. The North Dakota Supreme Court stated in *State ex rel. Lesmeister v. Olson*, 354 N.W.2d 690 (1984):

> We decline to extend the special-fund doctrine as requested by the respondents, and agree with those jurisdictions which hold that an obligation to be funded from general tax revenues, whether they be ad valorem or excise taxes, is a "debt" within the meaning of the debt limitation provision. Therefore, the special-fund doctrine does not exempt such obligations from the $2,000,000 debt limitation contained in our State Constitution.

The issue of whether state assumption of bonded indebtedness would violate the specific $2 million limit of Section 13, Article X, of the Constitution of North Dakota, could raise another issue of conflict resolution--whether measure No. 2 could be interpreted as a "general" provision allowing state assumption of debt in excess of the "specific" $2 million limit because measure No. 2 is later enacted.

Effect of Measure No. 2 on Existing Tax Types

Section 1 of measure No. 2 would prohibit the Legislative Assembly and political subdivisions "from raising revenue to defray the expenses of the state or political subdivisions through the levying of a tax on the assessed value of real or personal property." It appears the significant definitional issues are what constitutes a "tax" and what constitutes "assessed value." A tax is "an enforced contribution for public purposes." *Menz v. Coyle*, 117 N.W.2d 290 (N.D. 1962). The point is that it does not matter if a charge is called a tax, assessment, fee, or by any other name, the charge will be considered a tax. *Webster's Online Dictionary* defines assess as "to estimate the value of property for taxation." The word assess may also be used in the sense of "to impose a tax." However, as used in Section 1 of measure No. 2, in the phrase "levying of a tax on the assessed value . . .," it appears clear that "levying" is used in the sense of imposing a tax and "assessed" is used in the sense of estimating value of property for taxation. This is significant to resolving the question of whether the measure applies to some tax types. This is also consistent with the intention of the sponsors of measure No. 2, expressed in the petition title, that the measure would eliminate "property taxes . . . ."

There are several tax types under North Dakota law which contain a statutory statement that the tax is imposed "in lieu of property taxes." It has been suggested by some observers that these "in lieu of" taxes would be eliminated by measure No. 2 at the time property taxes are eliminated. However, it does not appear that the fact a tax is stated to be "in lieu of property taxes" means the tax would be eliminated. What the measure would eliminate is levying of a tax on the assessed value of real or personal property. Many of the "in lieu" taxes imposed by the state are based on assessed value of property, but many are not. In the case of certain state-owned property, the Legislative Assembly made a decision that acquisition of the property by the state and removal from the tax rolls would have an undesirable impact on the local tax base. Those taxes are assessed in the same manner as other property, and taxes are paid to maintain local tax revenue streams. Many of the "in lieu" taxes imposed by the state, i.e., coal and oil industry taxes, were based on the recognition that a large project or facility has a much broader impact than the township and school district in which it is located. In these instances, the Legislative Assembly determined that simply applying a property tax was inadequate to address the needs of the impacted area, and a tax structure was established to allocate revenues to address needs of the impacted area and also to recognize that depletion of a state resource is cause for the state to receive a share of revenue for the benefit of all citizens of the state. In these cases the Legislative Assembly has provided that the taxes are "in lieu" of property taxes, and one component of the tax is providing revenue to political subdivisions in place of what a property tax would have provided but that does not mean the tax is a property tax. What the constitutional measure prohibits is levying of a tax on the assessed value of real or personal property, and this is the standard that must be applied to "in lieu" taxes to determine if the measure would eliminate the tax.

Mobile Home Taxes

Mobile homes may be taxed as real property if they are affixed to land or as personal property if they are not affixed to land. In either case, taxes on mobile homes would be eliminated because the property tax and the mobile home tax are based on the assessed value of the mobile home.

Special Assessments

It appears special assessments would not be eliminated by enactment of measure No. 2. The amount of special assessments against a property are not allowed by law to be based on the assessed value of the property but are required to be based on the property's "just proportion of the total cost of such work" and "not exceeding the benefits" to the property (Section 40-23-07).

It has been suggested that if measure No. 2 is approved, political subdivisions will be able to use special assessments to pay general obligation bonded indebtedness or provide funds for certain services of the political subdivision. There is no basis for this assumption under existing law. Special assessments are allowed to be used for certain types of improvements, specifically listed in statute. Payment of indebtedness (other than the special assessment project) and costs of operations of political subdivisions are not included in the listed purposes for special assessments. It is questionable whether bonds would be marketable and debt limits would be violated if special assessment laws were modified to permit levies for indebtedness or operating funds. Even if that is possible, there would be a huge shift in relative shares of the "tax" burden among property owners if assessed values are not allowed as a basis for spreading the burden, and benefits to each property must be determined. An additional problem is that special assessment debt is not considered "debt" for constitutional purposes under the special fund doctrine if the obligation is payable from revenue from property acquired or assessments on benefited property. It is uncertain whether that doctrine would be interpreted to apply to the suggested uses of special assessments.

Crew Housing Permit Fees

A city or county is permitted to impose crew housing permit fees for property that is not taxable as real property or mobile homes under existing law. Measure No. 2 would not directly affect crew housing permit fees because the statutory provision allows the fees to be determined on the basis of the value of services and facilities provided to the crew housing facility. To the extent any city or county uses assessed valuation in determining fees, that practice would be prohibited and would have to be changed.

Oil and Gas Taxes

The oil and gas gross production tax is a tax "in lieu" of property taxes (Section 57-51-03). One issue that may cause some interpretive problems is the provision in Section 57-51-02.1, which provides that the gross production tax is a real property tax. However, the provision is limited by its own terms to interpretation of taxability of oil and gas from governmental lands if immunity from property taxes has been waived by Congress. The oil extraction tax does not contain the "in lieu" of property tax provision. It appears neither gross production nor extraction tax would be affected by measure No. 2 because neither tax is based on assessed value of property. The oil extraction tax and the gross production tax for oil are based on a percentage of the gross value at the well, which is generally the price of the oil under an arm's-length contract between the producer and purchaser or based on market value or posted price. Natural gas is taxed under the gross production tax based on a gas tax rate and gas base rate adjustment determined each year.

Coal Conversion Taxes

Coal conversion taxes would not be affected by enactment of measure No. 2 because the coal conversion tax is not based on assessed value of property. The coal conversion tax basis is the output capacity or gross receipts of the facility. The coal conversion tax is "in lieu of ad valorem taxes" on the facility, but the land on which a coal conversion facility is located is subject to property taxes (Section 57-60-06), which would be eliminated by enactment of measure No. 2.

Coal Severance Tax

The coal severance tax would not be affected by measure No. 2. The coal severance tax is stated by law to be "in lieu" of sales or use taxes, and there is no "in lieu" provision regarding property taxes. The coal severance tax is imposed at a specified number of cents per ton and is not based on assessed value of property.

Electric Generation, Distribution, and Transmission Taxes

Transmission line taxes for rural electric cooperatives are imposed in dollars per mile, with rates graduated as nominal operating voltage increases. It could be argued that increased voltage is a form of assessment of market value, but "assessment" of transmission lines is not required. Distribution lines of rural electric cooperatives are taxed at a rate of one dollar per megawatt-hour delivered to a consumer. Taxes on wind generators and gas generators of rural electric cooperatives are taxed based on generating capacity.

It appears none of these electric generation, distribution, and transmission taxes would be affected by measure No. 2. However, investor-owned utilities are subject to property taxes based on assessment and imposition by the State Board of Equalization under Chapter 57-06, and it appears clear that these property taxes would be eliminated by enactment of measure No. 2. A significant change in the competitive position of rural electric cooperatives and investor-owned utilities would be created by enactment of measure No. 2.

Telecommunications Company Taxes

Telecommunications companies are subject to a gross receipts tax in lieu of property taxes. A gross receipts tax is not based on the assessed value of property. Telecommunications taxes would not be eliminated by enactment of measure No. 2. However, the tax is allocated among political subdivisions to replace property taxes that applied to the industry in 1997 so it is likely the industry might suggest to the Legislative Assembly that the tax should be reduced or eliminated if property taxes are eliminated.

Financial Institutions Taxes

Financial institutions taxes are income-based taxes, and financial institutions are also subject to property taxes. Property taxes would be eliminated, but the financial institutions tax would be unaffected by enactment of measure No. 2.

Payments in Lieu of Taxes for New or Expanding Businesses

A city or county may grant a new or expanding business the privilege of making payments in lieu of property taxes. No directive is provided by statute on how the payment is determined. These payments in lieu of taxes would not be eliminated by measure No. 2 except in the unlikely event they are based on assessed value.

Farmland or Ranchland Owned by Nonprofit Organizations for Conservation Purposes

Farmland or ranchland owned by nonprofit organizations for conservation purposes is subject to payments in lieu of taxes, and the nonprofit organization must make payments in lieu of property taxes on the property, calculated in the same manner as if the property was subject to full assessment and levy of property taxes. This tax would be eliminated by measure No. 2, because it is based on assessed value of property.

Game and Fish Department Lands

The director of the Game and Fish Department must make annual payments to counties in which property is located which is controlled by the Game and Fish Department, not including leased land already subject to property taxes. The property subject to in lieu of tax payments must be assessed and valued for tax purposes, excluding improvements to property, and the mill levies are applied which apply to other taxable property in the taxing districts in which the property is located. These in lieu of tax payments would be eliminated by measure No. 2 because they are based on the assessed value of property.

National Guard Land

For land acquired for the National Guard training area and facility development trust fund, the Adjutant General shall make payments in lieu of real estate taxes to the counties in which the property is located in the same manner and according to the same conditions and procedures as provided in Chapter 57-02.1 for payments in lieu of real estate taxes by the director of the Game and Fish Department, but no county may receive less in payments for any property than the county received in real estate taxes for the last year in which the land was taxable. These in lieu of tax payments would be eliminated by measure No. 2 because they are based on the assessed value of property.

Land Owned by Board of University and School Lands or State Treasurer

Certain property owned by the Board of University and School Lands or by the State Treasurer as trustee for the state of North Dakota is subject to payments in lieu of taxes. All such property must be assessed in the same manner as other real property in the state is assessed for tax purposes, excluding improvements to the property. Payments in lieu of taxes are computed by extending the mill levies that apply to taxable property in the taxing districts in which the property is located. These payments would be eliminated by enactment of measure No. 2 because the taxes are based on the assessed value of property.

Forest Stewardship Tax

The owner of property with a growth of trees may obtain approval from the board of county commissioners to pay a forest stewardship tax of 50 cents per acre in lieu of the property taxes that would otherwise apply. This tax was established to provide reduced taxes to encourage growth and preservation of forested areas. However, because the reduced tax is not based on assessed value, it appears this tax would not be eliminated by measure No. 2.

Carbon Dioxide Pipelines

Carbon dioxide pipeline property is exempt from property taxes for the first 10 years after construction. During that time, the state makes payments in lieu of property taxes based on assessment by the State Board of Equalization and application of mill rates of taxing districts in which the pipeline is located. The property tax and the state payments in lieu of property taxes would be eliminated by enactment of measure No. 2.

Leases for Tourism or Concession Purposes

Property leased from the State Historical Society or the Parks and Recreation Department is subject to payment of a license fee in lieu of property taxes. The license fee is set by the director of the State Historical Society or Parks and Recreation Department at an annual amount not less than $1 and not more than 1 percent of the gross receipts of the tourism or concession enterprise. The license fee is paid to the treasurer of the county in which the enterprise is located. These license fees would not be affected by enactment of measure No. 2 because the fees are not based on assessed value of property.

Devils Lake Project Land

Land acquired by the State Water Commission for the Devils Lake project is subject to payments in lieu of real estate taxes to the counties in which the property is located. The property is assessed, and mill levies of local taxing districts are applied. These payments would be eliminated by enactment of measure No. 2.

Workforce Safety and Insurance Building

The building purchased by Workforce Safety and Insurance is subject to payments in lieu of property taxes in the manner and according to the conditions and procedures that would apply if the building and property were privately owned. These payments would be eliminated by enactment of measure No. 2.

Motor Vehicle Registration Fees

Motor vehicle registration fees are in lieu of personal property taxes. These fees would not be eliminated by enactment of measure No. 2 because motor vehicle registration fees are based on weight and age of vehicles and not assessed value.

REPLACEMENT OF REVENUES

Revenues to political subdivisions that would be required to be replaced by the state under measure No. 2 are addressed in Section 2 of measure No. 2. Section 2 contains three subsections, each of which is worded differently and apparently intended to address another aspect of revenue replacement.

Subsection 1 of Section 2 of measure No. 2 provides:

> Taxes upon real property which were used before 2012 to fund the operations of counties, cities, townships, school districts, park districts, water districts, irrigation districts, fire protection districts, soil conservation districts, and other political subdivisions with authority to levy property taxes must be replaced with revenues from the proceeds of state sales taxes, individual and corporate income taxes, oil and gas production and extraction taxes, tobacco taxes, lottery revenues, financial institutions taxes, and other state resources.

Several of the words and phrases in subsection 1 appear to be the key to determining how it would be applied.

"Taxes upon real property" limits the replacement funding to consideration of real property taxes imposed by the political subdivision. Whether intentional or not, this excludes mobile home taxes because they are not taxes upon "real property." It appears likely this interpretation would apply to replacement of "in lieu" taxes that would be eliminated by enacted of measure No. 2, as discussed previously in this memorandum.

"Used" is distinctive because this word was employed by the drafter rather than the word "levied." Because the word "levied" was not employed, it appears the intention was to focus the replacement requirement on the expenditures made from property tax revenues by the political subdivision. That this would be a reasonable interpretation is supported by the recognition that the drafter could well have intended not to replace property tax revenues that were set aside, such as in a building fund or interim fund, and focus attention on only expenditures that were made in the "operations of" political subdivisions.

"Before 2012" is a phrase that is somewhat puzzling. Taken literally, it could include any year from 1861 through 2011. It appears most likely this phrase must be interpreted to refer to calendar year 2011.

"Replaced" is a word of debatable meaning. Dictionary definitions indicate the word is used in several senses. In some senses it appears to mean "take the place of," which would not require "equivalency," and in some senses it means to "pay back" or "restore," which would require equivalent substitution. It appears the safest assumption until the issue is decided by a court is to assume the measure requires the state to provide dollar-for-dollar replacement.

Using these interpretations, it appears subsection 1 establishes a "baseline" of replacement revenue from the state to political subdivisions that would be the 2011 calendar year expenditures from real property tax revenues of the political subdivision and certain in lieu of tax revenues.

Subsection 2 of Section 2 of measure No. 2 provides:

> The legislative assembly shall direct as much oil and gas production and extraction tax, tobacco tax, lottery revenue, and financial institutions tax as necessary to fund the share of elementary and secondary education not funded through state revenue sources before 2012. The state cannot condition the expenditure of this portion of elementary and secondary education funding in any manner and school boards have sole discretion in how to allocate the expenditure of this portion of the elementary and secondary funding provided.

Subsection 2 is difficult to interpret because of the language employed. "The share of elementary and secondary education not funded through state revenue sources" could be interpreted to require the state to fund the share of education funded through federal sources, which presumably does not need to be replaced because it will continue to be supplied to school districts. In examining the *2011 School Finance Facts* publication of the Superintendent of Public Instruction, it appears that 2011 school district revenues in the state totaled $1,129,563,160. In very rough percentages, state sources made up about 50 percent, local sources about 30 percent, and federal sources about 20 percent of statewide education funding. School district property tax revenues and in lieu of tax payments totaled slightly less than 25 percent of total revenues. Because the purpose of measure No. 2 is to eliminate and replace funding for property taxes, there is an attraction to simply interpreting subsection 2 as requiring replacement of property taxes levied by school districts. However, it is not clear that the language of the subsection is capable of that interpretation. If this subsection is interpreted to require replacement of school district property taxes, it would be very nearly a redundancy of the subsection 1 requirement for school districts.

Subsection 3 of Section 2 of measure No. 2 provides:

> The legislative assembly shall direct a share of sales taxes, individual and corporate income taxes, insurance premium taxes, alcoholic beverage taxes, mineral leasing fees, and gaming taxes and any oil and gas production and extraction taxes, tobacco taxes, lottery revenues, and financial institutions taxes not allocated to elementary and secondary schools to counties, cities, and other political subdivisions according to a formula devised by the legislative assembly to fully and properly fund the legally imposed obligations of the counties, cities, townships, and other political subdivisions. The allocation of the amount determined by the legislative assembly must be provided to the governing bodies of counties, cities, townships, and other political subdivisions. How counties, cities, townships, and other political subdivisions choose to allocate the expenditures of this revenue is at the sole direction of the governing bodies of counties, cities, townships and other political subdivisions.

Subsection 3 requires the Legislative Assembly to allocate a share of state taxes according to a "formula devised by the Legislative Assembly to fully and properly fund the legally imposed obligations" of political subdivisions. It appears there is little room for argument that this requirement places discretion in the Legislative Assembly to determine what level of funding is "proper."

Taken as a whole, Section 2 of measure No. 2 appears to:

1. Establish a "baseline" funding level equal to political subdivision expenditures from real property taxes equal to the amount expended by each political subdivision during 2011. No growth factor is included in the measure for this allocation.
2. Require allocation of approximately 25 percent of the cost of education among school districts in the state. Because this requirement is expressed as a "share," it will be subject to growth as the cost of education increases.
3. After the funding requirements of subsections 1 and 2 have been met, the Legislative Assembly will have to make the determination of what additional level of funding is proper.

It should be noted that the only funding to school districts required by measure No. 2 is to fund the share of education not funded through state revenue sources. This does not appear to mandate that the Legislative Assembly maintain the same levels of funding to school districts that it maintained in 2011.

ADDITIONAL COMMITTEE QUESTIONS

How Will "Market Value" of Property Be Determined for Purposes of Constitutional Debt Limits?

This is one of the questions that will have to be answered by the Legislative Assembly if measure No. 2 is enacted. Market value is not defined by the measure or by statute, except as one component of determining "true and full value," and even if it is interpreted as equivalent to "true and full" value, market value for agricultural property is clearly not the value determined by the productivity valuation formula.

Does "Market Value of All of the Property in the State" Make It Necessary to Determine Market Value for Personal Property?

This will have to be interpreted by the Legislative Assembly. It appears that the word "taxable" was removed by the drafters of measure No. 2 because upon enactment there will no longer be "taxable" property. However, removal of the word "taxable" leaves the word "property" standing alone, which includes all property. The plain language of the provision appears to require determination of market value of real and personal property, and the measure does not appear to allow any discretion for the Legislative Assembly to exclude any kind of personal property. Literal application of this language would result in an enormous expansion of assessment responsibilities, costs, and intrusion into what citizens have deemed to be outside the reach of governmental inquiries. This expansion of assessment would serve only the limited purpose of determining debt limits for the state and political subdivisions. Perhaps a means could be devised to "impute" value of personal property.

What Effect Does Changing True and Full Value to Market Value of All Property as the Basis for Limitation Have on the State Debt Limit?

The change increases the state's limitation of indebtedness, but Section 13, Article X, of the Constitution of North Dakota, would still limit state general obligation bonded debt to $2 million. For the purpose of promoting generation and transmission enterprises, the state may issue a combination of bonds that, added to outstanding general obligation debts, will not exceed 5 percent of the market value of all of the property in the state, which would be an increased debt limit.

Does Political Subdivision Bonding Capacity Increase if the Basis of the Constitutional Limitation Is Changed From Assessed Value of Taxable Property to Market Value of Property?

The debt limitation for political subdivisions would be substantially increased by the initiated measure because market value is approximately twice the amount of assessed value and because valuation of personal property would become part of the limit. This question may be largely academic because the Legislative Assembly will be forced to rewrite statutory provisions on political subdivisions incurring indebtedness and would be free to establish lower limits than the constitutional provision would contain.

May Political Subdivisions Issue General Obligation Bonds if Property Taxes May Not Be Levied?

Political subdivisions would be without authority to issue general obligation bonds without legislative changes to statutory authority. Under Section 21-03-15, a political subdivision issuing general obligation bonds is required to levy an annual property tax to retire the indebtedness. Beginning on the effective date of measure No. 2, general obligation bonds could not be issued.

May the Legislative Assembly Require Special Assessment Debt to Be Included in Calculating Debt Limits of Political Subdivisions?

No, the North Dakota Supreme Court has adopted the "special fund doctrine" under which special assessment debt is not considered "debt" for purposes of the constitutional debt limit for political subdivisions.

Will Political Subdivisions Need Legislative Approval Before Issuing Debt?

It does not appear legislative approval would be required under current statutory provisions for issuing certificates of indebtedness or warrants, but legislative approval would be required for issuance of general obligation bonds. The form of legislative approval could range from enactment of statutory authority providing a standard procedure and funding mechanism or by requiring legislative approval of bond issues on a case-by-case basis.

Would a Home Rule City or County Be Prohibited From Using Home Rule Sales Taxes or Other Tax Revenues for Payment for Bonded Indebtedness?

No, if the bonds are marketable with that backing.

May Political Subdivisions Use Anticipated State Revenues to Pay for Retirement of Indebtedness?

Yes, if the debt is marketable with that backing. For general obligation bonds, existing statutory provisions would have to be revised by legislation to allow state revenues to be used as a funding source.

Will Property Tax and Budget Statutes of Political Subdivisions Become Void?

Statutory provisions governing property tax levies and levy limitations would be void. Statutory provisions governing political subdivisions' budgeting would undoubtedly be rewritten by the Legislative Assembly. However, unless a special legislative session is held in 2012, enactment of measure No. 2 would mean 2012 political subdivision budgets are unlimited.

May a County Obtain Property Through Tax Foreclosure if Property Taxes Were Due and Unpaid Before the Effective Date of Measure No. 2?

Yes, it appears the obligation to pay and the remedies for nonpayment for any property taxes for 2011 or earlier would remain effective.

What Effect Will Measure No. 2 Have on the Ability of Political Subdivisions to Consolidate?

It appears measure No. 2 would not discourage consolidation of political subdivisions.

Does Measure No. 2 Limit the Legislative Assembly's Ability to Consolidate Services Between Counties?

It appears measure No. 2 would not affect the Legislative Assembly's prerogative to require or allow consolidation of services between counties.

Does Measure No. 2 Limit the Legislative Assembly's Ability to Consolidate School Districts or Consolidate All School Districts Into One School District?

It appears measure No. 2 would have no impact on the Legislative Assembly's prerogative to require or allow consolidation of school districts.

What Effect Will Measure No. 2 Have on Tax Increment Financing?

Measure No. 2 will have an uncertain impact for tax increment financing. Measure No. 2 requires the

Legislative Assembly to "replace" or "fully and properly fund" property taxes that would be eliminated by the measure. The premise of tax increment financing is that there will be a growth in valuation which will generate a stream of increased property tax revenue that will pay for indebtedness incurred for the project. Measure No. 2 does not appear to require the Legislative Assembly to provide increased replacement revenue on the basis of increased property valuation. It is questionable whether tax increment financing will remain a viable property development option if property taxes are eliminated.

If Local Governments Can No Longer Levy for an Emergency Fund, May the Legislative Assembly Provide Revenues for Each Political Subdivision to Be Held in Reserve for Emergency Needs?

It would be within the prerogatives of the Legislative Assembly to provide funding to political subdivisions for an emergency fund, but it is not clear if those allocations would be required by the measure.

ATTACH:1

NDAR
North Dakota Association of REALTORS®

To advocate for the success of our members in partnership with our local Associations and the National Association of REALTORS®

March 6, 2023
House Finance and Tax Committee
House Concurrent Resolution No. 3024

Mr. Chairman and members of the House Finance and Tax Committee,

My name is Greg Larson and today I'm representing the North Dakota Association of REALTORS® (NDAR). We are a professional organization representing over 2,200 licensed REALTORS® across North Dakota. We also are the primary organization that advocates for the rights of property owners in our state.

The North Dakota Association of REALTORS® is strongly opposed to portions of House Concurrent Resolution No. 3024. While we in no way are against the right of the people of North Dakota being allowed to make a decision pertaining to Property Taxes we strongly object to the imposition of an additional tax that discriminates against those entities who are engaging in real estate transactions. In that regard the idea of establishing a transfer tax on the sale real property is not a reasonable method to offset the elimination of property taxes.

In those states where transfer taxes exist, they prove to be a penalty on those individuals and businesses who are selling real property. During the 2016 election cycle, the NDAR along with a coalition of like-minded organizations supported and worked for the passage of Measure 2 which was a concurrent resolution sponsored by Representative Scott Louser and put on the ballot by the North Dakota Legislature. That Measure passed overwhelmingly, and the constitution was amended. The people said transfer taxes are a bad idea. It seems contrary to the will of the people that now just 7 years later this same body should now want to put this on the people of North Dakota.

Mr. Chairman and members of the House Finance and Tax Committee, the North Dakota Association of Realtors respectfully requests that the entire Section 5. Amendment 27 of this bill on page 5 lines 5 through 9 be stricken from Resolution No. 3024.

Greg Larson
Representing the NORTH DAKOTA ASSOCIATION OF REALTORS®
GLarson@c21Morrison.com/701-400-7217

#22077

HCR3024 Testimony – House Finance & Taxation Committee – 3/6/2023 9:00 AM

Mike Blessum – District 5, Minot – mblessum@min.midco.net – 701-818-2000

Chairman Headland and House Finance & Taxation Committee members, thank you for the opportunity to testify in support of HCR3024. For the record my name is Mike Blessum. I am a small business owner, husband, and father from District 5 in Minot.

My son and I own an accounting firm in Minot. We are in the midst of our busy season where we have the opportunity to talk to hundreds of local homeowners about their income and tax challenges. We have seen the effects of the income tax relief passed during the 2021 special session. While the income tax break has been a positive, my guess is that you get the same message from your constituents that we get from our clients. Although people recognize the need for taxes to fund essential services, property tax is the greatest concern for most people.

According to my tax statement the house I own in SW Minot has appreciated in value by 8% since 2014. During that period my property tax increased by 68%. My daughter recently purchased a condo. Her property actually decreased in value during that same period, yet her property tax increased by 48%. She is doing everything right, but still faces the uncertainty in her budget due to property taxes. She is facing a $98 increase per month in her mortgage payment because of another projected property tax increase this year.

Legislative tax relief (3-year comparison)	2014	2022
State school levy reduction	1,692.91	0
12% state-paid tax credit	496.09	0
Total legislative tax relief	2,189.00	2,372.19
Tax distribution (3-year comparison):	**2014**	**2022**
True and Full Value	342,000	369,000
Taxable Value	15,390	16,605
Less: Homestead credit	0	0
Veterans credit	0	0
Net Taxable Value	15,390	16,605
Total mill levy	268.620	367.010
Taxes By District (in dollars):		
CITY	1,198.88	1,978.48
COUNTY	1,080.67	929.04
PARK	416.92	806.52
SCHOOL (after state reduction)	1,422.22	2,363.56
STATE	15.38	16.60
Consolidated Tax	4,134.07	6,094.20
Less: 12% state-paid tax credit	496.09	0
Net consolidated tax	**3,637.98**	**6,094.20**
Net effective tax rate	**1.06%**	**1.65%**

Since 2014

Home Value Increase

8%

Property Tax Increase

68%

The best course of action is to vote those in charge out of office. Minot has done that; 14 of the 17 elected seats of our three local subs that can levy property tax have turned over since 2014. We all agree that better candidates and better decision making can give us better outcomes, but we certainly aren't seeing it in our area. All that we see are the taxing authorities colluding to make sure there is room in the property tax totals to cover all of the pet projects.

The legislative assembly has tried to help through buy down programs. I guess that means that my property tax should be more like $8500 instead of the $6100 it is today. We all know these plans don't work because the local subs just use it as an opportunity to keep our taxes the same while receiving the additional funds. While it would be great to have the legislative assembly step up and make major changes to or outlaw property tax altogether, I know that is a tall order. The best thing you can do is give it back to the people to decide.

We have heard a lot this session about the great work that the legislative assembly has done to leverage the economic windfall that oil and gas have provided our state. Now is the time to think bigger than income tax rate adjustments and go after a major pain point for North Dakota families. North Dakota is in the higher half of effective property tax rates nationwide. My rate of 1.65% is higher than the average of all but the 9 highest effective rates in the country and places me among the rates of New York, Vermont, Connecticut, Illinois, and New Jersey.

I have no expectation that our legislative assembly would eliminate the property tax. I do hope that you will return a do pass recommendation on HCR3024 and give the people a chance to choose their own path forward. Thank you Chairman Headland and members of the committee. I am happy to stand for any questions you may have.

HCR3024 Testimony – House Finance & Taxation Committee – 3/6/2023 9:00 AM

Mike Blessum – District 5, Minot – mblessum@min.midco.net – 701-818-2000

Rank	State	Real Estate Tax Rate	Average Home Price	Annual Property Tax
1	Hawaii	0.28%	$615,300	$606
2	Alabama	0.41%	$142,700	$895
3	Colorado	0.51%	$343,300	$1,113
4	Louisiana	0.55%	$163,100	$1,187
5	District of Columbia	0.56%	$601,500	$1,221
6	South Carolina	0.57%	$162,300	$1,238
7	Delaware	0.57%	$251,100	$1,240
8	West Virginia	0.58%	$119,600	$1,269
9	Nevada	0.60%	$267,900	$1,310
10	Wyoming	0.61%	$220,500	$1,319
11	Arkansas	0.62%	$127,800	$1,358
12	Utah	0.63%	$279,100	$1,362
13	Arizona	0.66%	$225,500	$1,446
14	Idaho	0.69%	$212,300	$1,492
15	Tennessee	0.71%	$167,200	$1,548
16	California	0.76%	$505,000	$1,644
17	New Mexico	0.80%	$171,400	$1,740
18	Mississippi	0.81%	$119,000	$1,751
19	Virginia	0.82%	$273,100	$1,779
20	Montana	0.84%	$230,600	$1,818
21	North Carolina	0.84%	$172,500	$1,833
22	Indiana	0.85%	$141,700	$1,853
23	Kentucky	0.86%	$141,000	$1,866
24	Florida	0.89%	$215,300	$1,934
25	Oklahoma	0.90%	$136,800	$1,952
26	Georgia	0.92%	$176,000	$2,006
27	Missouri	0.97%	$157,200	$2,111
28	Oregon	0.97%	$312,200	$2,116
29	North Dakota	0.98%	$339,000	$2,138
30	Washington	0.98%	$193,900	$2,134
31	Maryland	1.09%	$314,800	$2,370
32	Minnesota	1.12%	$223,900	$2,429
33	Alaska	1.19%	$270,400	$2,599
34	Massachusetts	1.23%	$381,600	$2,667
35	South Dakota	1.31%	$167,100	$2,857
36	Maine	1.36%	$190,400	$2,953
37	Kansas	1.41%	$151,900	$3,060
38	Michigan	1.54%	$154,900	$3,343
39	Ohio	1.56%	$145,700	$3,390
40	Iowa	1.57%	$147,800	$3,407
41	Pennsylvania	1.58%	$180,200	$3,442
42	Rhode Island	1.63%	$261,900	$3,548
43	New York	1.72%	$313,700	$3,749
44	Nebraska	1.73%	$155,800	$3,754
45	Texas	1.80%	$172,500	$3,907
46	Wisconsin	1.85%	$180,600	$4,027
47	Vermont	1.90%	$227,700	$4,135
48	Connecticut	2.14%	$275,400	$4,658
49	New Hampshire	2.18%	$261,700	$4,738
50	Illinois	2.27%	$194,500	$4,942
51	New Jersey	2.49%	$335,600	$5,419

https://www.rocketmortgage.com/learn/property-taxes-by-state

Mr. Chair and Members of the of the House Finance and Taxation Committee

My name is Scott Samuelson and I am in support of House Concurrent Resolution #3024.

My family and I have lived in Minot since 1989, purchased a home in 1992 and have lived in the same neighborhood for 30 years. Over this time, our Property Taxes have increased 447%. Throughout the state, Property Taxes have increased as the legislature has taken over all of Health and Human Services funding and a larger portion of school funding while trying to buy down Property Taxes by providing funding to cities and counties. This obviously has not worked. As I look through my property tax statements, I have seen continuous increases in my Property Taxes over the past 30 years. The Citizens of ND have been asking our Legislature do something to remedy the unjust Property Tax System for years. It is now time to Eliminate and replace Unfair Property Taxes with other funding sources.

Since 2009 the State of North Dakota has had record spending and record surpluses. There is over 14 billion dollars in different Government Funds. For the 2023-2025 biennium, Governor Burgum has proposed another increase in spending of over 1.5 billion dollars. This increase would amount to 75% of what would be needed to replace Property Taxes. It is past time for the Citizens of ND to directly benefit from our state's prosperity and time to Eliminate and Replace Unfair Property Taxes.

When cities and counties look at economic development, they offer property tax relief and other tax incentives. The State of North Dakota also gives tax breaks or tax incentives for economic development. Just imagine the economic boom if everyone in ND received property tax relief thereby providing increases in our state and local revenues.

I ask you to support a do pass vote on HCR 3024. I would also urge you to encourage your colleagues to support HCR 3024 as it moves forward, give the citizens a chance to vote.

Thank you.

Respectfully,

Scott Samuelson

Minot

#22124

MEMO

To:	Chairman Headland and members of the House Finance and Taxation Committee
From:	Travis Zablotney
CC:	
Date:	3/6/2023
Re:	HCR3024

COMMENTS:

Chairman Headland and members of the House Finance and Taxation Committee:

My name is Travis Zablotney. I am the current District 5 Republican Chairman in Minot. I respectfully request that you give HCR3024 a due pass vote giving the qualified electors the ability to vote on the issue of property tax assessment in North Dakota. Means and methods are surely available to us as citizens of this state to properly fund the essential roles of political subdivisions leaving local control to locally elected boards. Please thoughtfully consider all testimony in support of this resolution, be bold and be brave. Yes, I realize it will be a tremendous amount of work to get the repeal of property tax and the formulas to fund political subdivisions right but the rewards in doing so will be great.

Thank you for your DO PASS vote on this bill.

Travis Zablotney

HCR 3024 Property tax elimination for the ballot - Jeff Hoverson – Representative

House Finance and Tax committee 3/6/2023

Chairman Headland and committee:

We all come to this issue with understandable and pre-conceived opinions. I respect everyone's opinion. I am hoping today you will all be open to hearing from some people who are very brilliant on the issue of property tax and have driven a long way to be able to be heard. This resolution comes to you, from people of North Dakota, with a strong DO PASS recommendation.

At the risk of sounding like a sermon, this is my research. Private, personal property actually goes back to the 10 commandments. Don't steal from your neighbor; don't even "want" your neighbors stuff, etc., etc.

Later in the 1970's Milton Friedman, advisor to President Ronald Reagan, proved in his research, that ALL nations that have been lifted from poverty, did it through capitalism – cornerstone: Private Property.

This bill is about local control, not so much from one taxing authority to another, but rather directly to the individual. Both property owners and renters are equally beneficial. Today, we do property tax differently than 100 years ago. We de-incentivize growth, improvement, and risk.

On top of that, this is not only the best option, but the only real option for the largest economic boom we could do as a state legislature. Yes, by removing the option of taxing property from the table.

I tried to give most of you a copy of the Beacon Hill Report; if I missed you I do have copies. This also is a study of North Dakota concluding that economic boom here.

I hope you will seriously consider a DO PASS on HCR 3024 and, if I may, I would turn over the explanation of the bill and questions to Dr Rick Becker of Bismarck, Mike Blessum of Minot, Charlene Nelson online from Fargo, and others who have driven long distance to be here.

Thank you committee

Respectfully,

Jeff Hoverson – District 3

Dear Representatives of the House and Senate:

I am reaching out to you to vote Do Pass on HB 3024.

This bill will finally let the people of North Dakota speak for themselves. I know you were voted to be in your position by the people in your district & to represent the people of North Dakota. It appears every time there is a bill submitted to help all the residents of North Dakota when it comes to property tax it always seems to fail in the House and Senate.

I have personally spoke to my representatives and they always say, "if I submit a bill for changing or adjusting property tax it will only fail." It does every year, please ask yourself why?

You are willing to do a study but how far in debt do you want property tax owners to be in, before the study and findings ever get implemented if at all. How many residents need to lose their house / home since they cannot afford to pay for property tax for 3 years especially when they keep increasing, if you live in a MH you can lost your house/ home if delinquent on year.

When do the people of North Dakota finally own their own property and no longer have to rent from the government? When do the sales of the properties in the cities and counties no longer affect your property tax? When do we finally let the people of North Dakota speak for themselves?

You as representatives hear it all the time from the testimonials and other representatives that implemented the bill. The people of North Dakota want something done about property tax!

That is one of the major concerns and right now there is such an increase in property tax and with inflation something has to give.

The property owners of residential / commercial properties keep going backwards. We are literally pushing our residents to leave the larger cities or our state and move to where they can afford to live.

How can a young family afford to live here with inflation and the increase in property tax, who can afford to pay $1,000 to $5,000 in property tax per year.

Take a look at those property owners 65 years or older on fixed incomes or those property owners who are 100% disabled, yes you may implement bills to help lower their property tax but that does not help everyone.

It is funny how property tax almost always increases very year, but wages do not increase enough per year to meet the cost of living increases.

By allowing the people to vote on this measure and showing that the state approved this measure to be on the ballot, you are showing the people of North Dakota that you care and want to do what is their best interest. Let the people of North Dakota speak for themselves!

I personally would rather see what people pay on property tax go back into our economy to benefit everyone that lives in North Dakota.

Respectfully

Patti Eisenzimmer

"PROPERTY TAX IS THE MOST COMPLEX, UNFAIR AND UNJUST TYPE OF TAX.

IT IS BURDENSOME COSTLY AND UNFAIR TAX IMPOSED BY THE STATE AND LOCAL GOVERNMENTS."

PLEASE TAKE A MOMENT AND READ PROPERTY TAX REVOLUTION WRITTEN BY ROBERT HALE, BRETT NARLOCH AND CHARLENE NELSON.

THIS BOOK HAS ANSWERED A LOT OF QUESTIONS REGARDING PROPERTY TAX, IN WHAT IS WRONG WITH THE CURRENT PROPERTY TAX FORMULA, HOW UNFAIR PROPERTY TAX ACTUALLY IS AND WHY INCREASING PROPERTY TAX IS NOT THE ANSWER.

PLEASE VOTE PASS ON THIS BILL AND ALLOW THE PROPERTY OWNERS TO SPEAK FOR THEMSELVES!

To Whom It May Concern 2/24/23

I feel that we should not have to pay property taxes being we already pay taxes on the property when we buy our houses, and then we have to keep paying taxes on our properties every year. Now I know that I almost pay $3000.00 each year on my property, so where does this money go to, its not used for upkeep on my property if I make any improvements on my property to keep it looking nice I also get taxed on that. And if you say it is to keep up the roads I have to laugh at that by the end of the winter I pretty much have a one lane road in front of my house, and when they do clean they push it onto my driveway so I have to clean that a couple of times. Now I don't have much money I live pay check to pay check so my concerns are I am getting close to retirement, so how am I going to be able to retire & pay these taxes I worked all my life since Age 16 to be able to have my own home & now may have to lose it if I can't afford to keep up the taxes

When I retireand I always thought
this Was supposed to be a free Country
yet we get taxed to Death on everything
so is this Country Really free I think
not.! also how come when people
Come from other Countries they get a free
Ride why don't they have to pay taxes
if they want to live in America I have
Too. is that fair I think not or business
that don't have to pay taxes for 10
years again is that fair. I think not!
so they don't have to pay taxes
but I have lived here all my life
& I have to pay my taxes plusmore
so they ~~they~~ dont have too! thank
you for your Concern

Linda Mobbema

2022 Ward County Real Estate Tax

Your cancelled check is your receipt.

☐ *Please indicate and list address change*

Parcel Number AF120140000030

Amount Paid ____________________

EISENZIMMER, RICHARD G & PATTI JO
5603 7TH ST SE
MINOT ND 58701-3205

AF120140000030

Total tax due	3,314.33
Less 5% discount	-165.72
Amount due by February 15, 2023	**3,148.61**

Or pay in two installments (with no discount):

Payment 1: Pay by March 1, 2023	1,657.17
Payment 2: Pay by October 16, 2023	1,657.16

MAKE CHECK PAYABLE TO:

Ward County Treasurer
PO BOX 5005
Minot, ND 58702
Phone: 701.857.6420

MP #

Detach and return with payment

2022 Ward County Real Estate Tax Statement

Statement No: 3390

Parcel Number
AF120140000030

Jurisdiction
Afton Township

Owner
EISENZIMMER, RICHARD G & PATTI J

Physical Location
5603 7TH ST SE
MINOT, ND 58701

Legal Description
DAKOTA ESTATES 2ND ADDN LOT 3 A 2.00 AFTON-S70

Legislative tax relief (3-year comparison)	**2020**	**2021**	**2022**
Legislative tax relief	1,525.25	1,599.52	1,661.86

Tax distribution (3-year comparison):	**2020**	**2021**	**2022**
True and Full Value	288,000	301,000	317,000
Taxable Value	12,960	13,545	14,265
Less: Homestead credit	0	0	0
Disabled Veteran credit	0	0	0
Net Taxable Value	12,960	13,545	14,265
Total mill levy	238.360	234.740	232.340
Taxes By District (in dollars):			
COUNTY	801.96	837.76	846.62
FIRE/AMBULANCE	168.48	176.08	185.44
SCHOOL (after state reduction)	1,872.46	1,908.35	2,011.23
STATE	12.96	13.54	14.26
TOWNSHIP	233.28	243.82	256.78
Consolidated tax	**3,089.14**	**3,179.55**	**3,314.33**
Net effective tax rate	**1.07%**	**1.06%**	**1.05%**

2022 TAX BREAKDOWN

Net consolidated tax	3,314.33
Plus: Special Assessments	
Principal	0.00
Interest	0.00
Total tax due	3,314.33
Less: 5% discount, if paid by February 15, 2023	-165.72
Amount due by February 15, 2023	**3,148.61**

Or pay in two installments (with no discount):

Payment 1: Pay by March 1, 2023	1,657.17
Payment 2: Pay by October 16, 2023	1,657.16

Penalty on 1st Installment & Specials:	
March 2, 2023	3%
May 1, 2023	6%
July 1, 2023	9%
October 15, 2023	12%
Penalty on 2nd Installment:	
October 17, 2023	6%

FOR ASSISTANCE CONTACT:

Office: Ward County Treasurer
PO BOX 5005
Minot, ND 58702

Phone: 701.857.6420

Email:

Website: www.wardnd.com

WE PURCHASED THE LAND IN 1994 FOR $5,600 WAS VALUED AT $5,000.

HOUSE IS RANCH STYLE

1680 SQ FEET NO BASEMENT FINISH

1200 SQ FEET 3 STALL GARAGE

INCREASED TO $10,000 IN 1999 CONTINUOUS INCREASE FROM THAT POINT

HOUSE ADDED IN 2004 VALUED LAND AT $16,000 HOUSE AT $150,600

2005 VALUED LAND AT $16,000 HOUSE AT $175,200 TOTAL $191,200

2006 VALUED LAND AT 16,200 HOUSE AT $203,800 TOTAL $219,800

2007 VALUED LAND AT $16,200 HOUSE AT $230,400 TOTAL $246,600

2008 VALUED LAND AT $16,000 HOUSE AT $215,200 TOTAL $231,200

2009 VALUED LAND AT $16,000 HOUST AT $233,400 TOTAL $249,400

2010 VALUED LAND AT $17,200 HOUSE AT $267,000 TOTAL $284,200

2011 VALUED LAND AT $17,800 HOUSE AT $257,200 TOTAL $275,000

2012 VALUED LAND AT $19,200 HOUSE AT $277,800 TOTAL $297,000

2013 VALUED LAND AT $21,400 HOUSE AT $308,400 TOTAL $329,800

2014 VALUED LAND AT $23,400 HOUSE AT $336,200 TOTAL $359,600

2015 VALUED LAND AT $23,800 HOUSE AT $343,000 TOTAL $366,800

2016 VALUED LAND AT $23,800 HOUSE AT $343,000 TOTAL $366,800

2017 VALUED LAND AT $70,000 HOUSE AT $222,000 TOTAL $292,000

2018 VALUED LAND AT $70,000 HOUSE AT $220,000 TOTAL $290,000

2019 VALUED LAND AT $70,000 HOUSE AT $222,000 TOTAL $292,000

2020 VALUED LAND AT $70,000 HOUSE AT $218,000 TOTAL $288,000

2021 VALUED LAND AT $70,000 HOUSE AT $231,000 TOTAL $301,000

2022 VALUED LAND AT $70,000 HOUSE AT $247,000 TOTAL $317,000

2023 LAND VALUE PROPOSED AT $80,000 HOUSE AT $242,000 TOTAL $322,000

MILLS 2012 225.87 TAX BILL $3,352.14

MILLS 2013 198.01 TAX BILL $2,586.02

MILLS 2014 226.41 TAX BILL $3,224.10

MILLS 2015 267.86 TAX BILL $3,890.75

MILLS	2016	239.66	TAX BILL	$3,481.13
MILLS	2017	248.26	TAX BILL	$3,262.14
MILLS	2018	271.10	TAX BILL	$3,537.86
MILLS	2019	255.02	TAX BILL	$3,350.96
MILLS	2020	238.36	TAX BILL	$3,089.14
MILLS	2021	234.74	TAX BILL	$3,179.55
MILLS	2022	232.34	TAX BILL	$3,314.33

Mr. Chairman and members of the committee, for the record my name is Lori VanWinkle and I represent the wonderful and patriotic citizens of District 3 in Minot. I am before you today to urge a do pass on House Resolution 3024, which seeks to place the elimination of property tax on the ballot.

It is pretty well known that local communities give Property tax incentives to select winners via TIF, Renaissance zones, economic development, and abatement, all with a claim that this is an economic benefit to the whole.

If that is true then why wouldn't we give this benefit to every one and eliminate property tax for all?

Why do we persist in pretending this would be anything but amazing relief for everyone! We propose nothing but pacifiers to the people by offering tax cuts, but these cuts have never provided the relief and incentives that eliminating the property tax will.

As of February 24, 2023 Minot daily news opinion poll revealed 70% of respondents were in favor of eliminating property tax.

One large discrepancy of property tax is homeownership is never real. Our citizens are FOREVER renting from the government. This IS NOT individual liberty. Nor is it freedom to have the looming fear that after paying off a home, there still exists risk of government take over… or, the other alternative is to sell the home and find something smaller.

If you are forced into something, or your property you paid for can be taken away from you without your consent, you have lost your liberty. The government owns our purchases and property tax is using citizens to fund their operating expenses.

I want to remind you, our founding fathers fight the revolutionary war to free us to have liberty, freedom, and be property owners. This was one of the greatest blessings to our civil society. Establishing our independence, and securing property, ultimately upholds the ability to pursue happiness.

Citizen's of ND were supposed to be the benefactor of the states wealth. This would be such an incredible financial boost and benefit to our citizens, an economic surge to our communities, and make ND one of the most attractive states to live, start a business, raise a family, and attract new corporations.

The citizens have labored and toiled by the sweat of their brow. Yet this body our legislative body is spending money out of control, with no regard for answering the cries for relief from the people.

Why?

This year we have a record spending budget in the billions, 20 billion as of cross over, that's 4 billion more than last biennium, the amount we are spending above last year.

We are committed to funding current and future government growth than reducing it.

We are constantly becoming less concerned about the ND citizens.

It is our responsibility to help our citizens, and upholds individual liberty.

It will be so helpful to citizens who make sacrifices just to make ends me, have more opportunity as well as true homeownership. Families who have decide to have two income earners durning the most important child rearing years, might actually be able to allow a parent to stay at home and raise their children. Those who can't afford a private education but want one, may be able to provide for one. Those who aren't able to purchase appropriate insurances, may have more ability, Those worried about keeping their home over purchasing necessary medicine, would not have to chose one over the other.

Members of the committee, please remember why you wanted to serve in this assembly. You came to represent the people, Let's serve the people, and not our peers. I implore you, vote a Do Pass on HR 3024, and let the vote go to the people.

#22189

Testimony to
House Finance & Tax
March 6th, 2023
Donnell Preskey, NDACo

NDACo
NORTH DAKOTA ASSOCIATION OF COUNTIES

RE: Opposition to HCR 3024 – Resolution to Eliminate Property Taxes

Chair Headland and Committee Members, I'm Donnell Preskey with the ND Association of Counties. ND Counties oppose House Concurrent Resolution 3024 as they believe it threatens local control that is vital to counties providing local services to their citizens at the levels those citizens desire. Also, contrary to what the sponsors of this resolution may assume, counties are fiscally responsible with their property tax dollars, budgeting only for what they need.

This information from the ND Red Book is valuable information on property taxes in North Dakota. The first chart illustrates how counties have reduced the property taxes collected in 2017.

When counties received CARES dollars in 2020 many counties lowered taxes as a result.

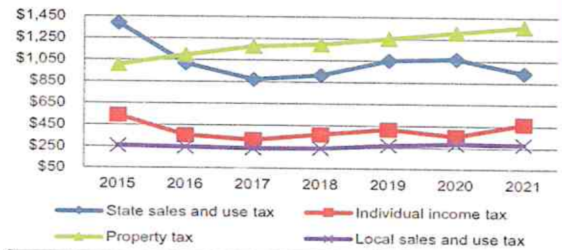
- 45% of the counties (24) lowered tax rates for 2021
- 7 Counties decreased tax rate by more than 10%
- 14 Counties lowered taxes levied for 2021
- 11 Counties lowered BOTH tax rate and tax levies

It's also important to highlight that in 2022 numerous counties had property tax levies on the ballot. (Chart on back side)

Overwhelmingly, voters approved to continue or increase property tax levies – most of those levies were for roads. The election results show that citizens recognize the needs in their area and support tax increases to support these important services.

Economic Statistics

MAJOR SOURCES OF STATE/LOCAL REVENUE
(Amounts Shown in Millions)

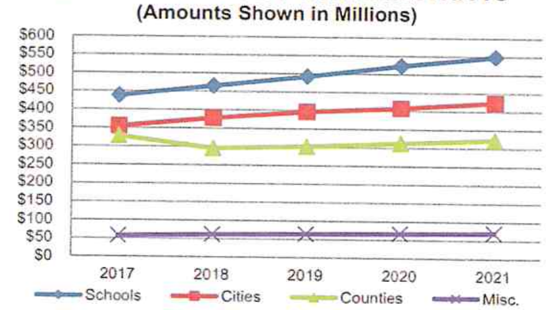


Fiscal Year	State Sales and Use Tax	Individual Income Tax	Property Tax[1]	Local Sales and Use Tax[2]
2015	$1,389.0	$537.6	$1,005.1	$258.1
2016	$1,017.4	$355.5	$1,096.1	$248.9
2017	$872.4	$314.2	$1,177.9	$236.7
2018	$912.5	$366.3	$1,198.7	$239.6
2019	$1,053.1	$415.4	$1,254.2	$270.9
2020	$1,067.9	$354.3	$1,310.5	$286.8
2021	$939.9	$467.6	$1,365.4	$280.9

[1]Property taxes include the 12 percent state-paid credit for 2015 ($105.4 million) and 2016 ($116.3 million).

[2]Local sales tax amounts do not include city occupancy or city restaurant and lodging taxes.

PROPERTY TAXES BY TAXING DISTRICTS
(Amounts Shown in Millions)



Year Payable	2017	2018	2019	2020	2021
Schools	$438	$465	$492	$523	$549
Cities	354	377	396	407	424
Counties	328	296	302	313	323
Misc.	57	61	64	67	70
Total	$1,177	$1,199	$1,254	$1,310	$1,366[1]

[1]The increase for 2021 is primarily due to continuing growth in taxable valuations and to support the increasing budgets of political subdivisions.

Based on property taxes levied in 2021, payable in 2022, one mill generated approximately $5.3 million statewide.

Source: North Dakota Tax Department

23.3078.01001
Title.

Prepared by the Legislative Council staff for
Representative Steiner
March 8, 2023

PROPOSED AMENDMENTS TO HOUSE CONCURRENT RESOLUTION NO. 3024

Page 2, line 9, after the underscored period insert "Between September 1, 2025, and December 31, 2025, the legislative assembly shall convene for up to twenty consecutive business days designated by the majority leaders of the senate and house of representatives to provide by law a method for the annual property tax revenue replacement payments to political subdivisions required in this subsection. Days spent in the reconvened session under this subsection may not be counted as part of the eighty natural days under section 7 of article IV."

Page 5, line 13, replace "2025" with "2026"

Renumber accordingly

Prepared for
House Finance & Taxation
March 8, 2023
23.3078.01000

PROPOSED AMENDMENTS TO HOUSE CONCURRENT RESOLUTION NO. 3024

Page 2, after line 9, insert:

"4. The legislative assembly shall create a property tax revenue replacement fund in the state treasury for the purpose of making annual property tax revenue replacement payments to political subdivisions.

5. The legislative assembly shall impose an additional sales tax at a rate sufficient to generate revenue equal to the total amount of the annual property tax revenue replacement payments to political subdivisions for deposit into the property tax revenue replacement fund."

Page 5, line 13, replace "2025" with "2027"

Renumber accordingly

23.3078.01000

Sixty-eighth
Legislative Assembly
of North Dakota

HOUSE CONCURRENT RESOLUTION NO. 3024

Introduced by

Representatives Hoverson, Bellew, Schatz, VanWinkle

Senator Magrum

A concurrent resolution to amend and reenact sections 1, 14, 15, 16, and 27 of article X of the Constitution of North Dakota, relating to prohibiting the levy of property tax except for limited purposes, prohibiting the issuance of general obligation bonds secured with property tax, and providing for a state transfer tax on real property; to repeal sections 4, 5, 7, 9, and 10 of article X of the Constitution of North Dakota, relating to prohibiting the levy of property tax; and to provide an effective date.

STATEMENT OF INTENT

This measure prohibits the levy of property tax, except for limited purposes, prohibits the issuance of general obligation bonds secured with property tax, and permits imposition by the state of a transfer tax on real property.

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH DAKOTA, THE SENATE CONCURRING THEREIN:

That the following proposed amendments to sections 1, 14, 15, 16, and 27 of article X of the Constitution of North Dakota, and the proposed repeal of sections 4, 5, 7, 9, and 10 of article X of the Constitution of North Dakota are agreed to and must be submitted to the qualified electors of North Dakota at the general election to be held in 2024, in accordance with section 16 of article IV of the Constitution of North Dakota.

SECTION 1. AMENDMENT. Section 1 of article X of the Constitution of North Dakota is amended and reenacted as follows:

Section 1. ~~The~~

construct, acquire, equip, improve, and extend facilities for converting natural resources into power and generating and transmitting such power, and to acquire real and personal property and water and mineral rights needed for such facilities.

2. The state may issue general obligation bonds for this purpose to an amount ~~which~~that, with all outstanding general obligation bonds, less the amount of all money on hand and taxes in process of collection which are appropriated for their payment, will not exceed five percent of the full and true value of all of the ~~taxable~~real property in the state, to be ascertained by the last assessment made for state and county purposes~~: but nothing herein shall~~. The provision does not increase or diminish the limitations established by other provisions of the constitution on the amount of bonds therein authorized to be issued.

3. The state also may ~~also~~ issue revenue bonds for the purpose of providing part or all of the funds required for any project undertaken under subsection 1, payable solely from sums realized from payments of principal and interest on money loaned for such project, and from other similar projects if so determined by the ~~legislature~~legislative assembly, and from the liquidation of security given for such payments. Revenue bonds issued for any project ~~shall~~may not exceed the cost ~~thereof~~of the project, including all expenses reasonably incurred to complete and finance the project, but ~~shall~~may not be subject to any other limitation of amount.

4. The full faith and credit of the state ~~shall~~must be pledged for the prompt and full payment of all bonds issued under subsection 2. Its obligation with respect to bonds issued under subsection 3 ~~shall~~must be limited to the prompt and full performance of such covenants as the ~~legislature~~legislative assembly may authorize to be made respecting the enforcing of the provisions of underlying loan agreements and the segregation, accounting, and application of bond proceeds and of loan

indebtedness ~~three per centum~~one and one-half percent on such ~~assessed~~full and true value beyond ~~said five per centum~~the two and one-half percent limit, and a school district, by a majority vote may increase such indebtedness ~~five~~two and one-half percent on such ~~assessed~~full and true value beyond ~~said five per centum~~the two and one-half percent limit; provided also that any county or city by a majority vote may issue bonds upon any revenue-producing utility owned by such county or city, or for the purchasing or acquiring the same or building or establishment thereof, in amounts not exceeding the physical value of such utility, industry or enterprise.

In estimating the indebtedness which a city, county, township, school district, or any other political subdivision may incur, the entire amount, exclusive of the bonds upon said revenue-producing utilities, whether contracted prior or subsequent to the adoption of this constitution, ~~shall~~must be included; provided further that any incorporated city may become indebted in any amount not exceeding ~~four per centum~~two percent of such ~~assessed~~full and true value without regard to the existing indebtedness of such city for the purpose of constructing or purchasing waterworks for furnishing a supply of water to the inhabitants of such city, or for the purpose of constructing sewers, and for no other purposes whatever. All bonds and obligations in excess of the amount of indebtedness permitted by this constitution, given by any city, county, township, ~~town,~~ school district, or any other political subdivision shall be void.

SECTION 4. AMENDMENT. Section 16 of article X of the Constitution of North Dakota is amended and reenacted as follows:

Section 16. Any city, county, township, ~~town,~~ school district, or any other political subdivision incurring indebtedness ~~shall~~, at or before the time of so doing, shall provide for ~~the collection of an~~ annual ~~tax~~revenues sufficient to pay the interest and also the principal thereof when due, and all laws or ordinances providing for the payment of the interest or principal of any debt ~~shall be~~are irrepealable until such debt be paid. A political subdivision may not issue general obligation bonds secured with tax levied on the assessed value of property on or after the effective date of this amendment.

~~**SECTION 5. AMENDMENT.** Section 27 of article X of the Constitution of North Dakota is amended and reenacted as follows:~~

Prepared for
House Finance & Taxation
March 8, 2023
23.3078.01000

PROPOSED AMENDMENTS TO HOUSE CONCURRENT RESOLUTION NO. 3024

Page 2, after line 9, insert:

"4. The legislative assembly shall create a property tax revenue replacement fund in the state treasury for the purpose of making annual property tax revenue replacement payments to political subdivisions.

5. The legislative assembly shall impose an additional sales tax at a rate sufficient to generate revenue equal to the total amount of the annual property tax revenue replacement payments to political subdivisions for deposit into the property tax revenue replacement fund."

Page 5, line 13, replace "2025" with "2027"

Renumber accordingly

23.3078.01000

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STATEMENT OF INTENT

This measure prohibits the levy of property tax, except for limited purposes, prohibits the issuance of general obligation bonds secured with property tax, and permits imposition by the state of a transfer tax on real property.

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH DAKOTA, THE SENATE CONCURRING THEREIN:

That the following proposed amendments to sections 1, 14, 15, 16, and 27 of article X of the Constitution of North Dakota, and the proposed repeal of sections 4, 5, 7, 9, and 10 of article X of the Constitution of North Dakota are agreed to and must be submitted to the qualified electors of North Dakota at the general election to be held in 2024, in accordance with section 16 of article IV of the Constitution of North Dakota.

SECTION 1. AMENDMENT. Section 1 of article X of the Constitution of North Dakota is amended and reenacted as follows:

Section 1. ~~The~~

construct, acquire, equip, improve, and extend facilities for converting natural resources into power and generating and transmitting such power, and to acquire real and personal property and water and mineral rights needed for such facilities.

2. The state may issue general obligation bonds for this purpose to an amount ~~which~~that, with all outstanding general obligation bonds, less the amount of all money on hand and taxes in process of collection which are appropriated for their payment, will not exceed five percent of the full and true value of all of the ~~taxable~~real property in the state, to be ascertained by the last assessment made for state and county purposes~~: but nothing herein shall~~. The provision does not increase or diminish the limitations established by other provisions of the constitution on the amount of bonds therein authorized to be issued.

3. The state also may ~~also~~ issue revenue bonds for the purpose of providing part or all of the funds required for any project undertaken under subsection 1, payable solely from sums realized from payments of principal and interest on money loaned for such project, and from other similar projects if so determined by the ~~legislature~~legislative assembly, and from the liquidation of security given for such payments. Revenue bonds issued for any project ~~shall~~may not exceed the cost ~~thereof~~of the project, including all expenses reasonably incurred to complete and finance the project, but ~~shall~~may not be subject to any other limitation of amount.

4. The full faith and credit of the state ~~shall~~must be pledged for the prompt and full payment of all bonds issued under subsection 2. Its obligation with respect to bonds issued under subsection 3 ~~shall~~must be limited to the prompt and full performance of such covenants as the ~~legislature~~legislative assembly may authorize to be made respecting the enforcing of the provisions of underlying loan agreements and the segregation, accounting, and application of bond proceeds and of loan

indebtedness ~~three per centum~~one and one-half percent on such ~~assessed~~full and true value beyond ~~said five per centum~~the two and one-half percent limit, and a school district, by a majority vote may increase such indebtedness ~~five~~two and one-half percent on such ~~assessed~~full and true value beyond ~~said five per centum~~the two and one-half percent limit; provided also that any county or city by a majority vote may issue bonds upon any revenue-producing utility owned by such county or city, or for the purchasing or acquiring the same or building or establishment thereof, in amounts not exceeding the physical value of such utility, industry or enterprise.

In estimating the indebtedness which a city, county, township, school district, or any other political subdivision may incur, the entire amount, exclusive of the bonds upon said revenue-producing utilities, whether contracted prior or subsequent to the adoption of this constitution, ~~shall~~must be included; provided further that any incorporated city may become indebted in any amount not exceeding ~~four per centum~~two percent of such ~~assessed~~full and true value without regard to the existing indebtedness of such city for the purpose of constructing or purchasing waterworks for furnishing a supply of water to the inhabitants of such city, or for the purpose of constructing sewers, and for no other purposes whatever. All bonds and obligations in excess of the amount of indebtedness permitted by this constitution, given by any city, county, township, ~~town,~~ school district, or any other political subdivision shall be void.

SECTION 4. AMENDMENT. Section 16 of article X of the Constitution of North Dakota is amended and reenacted as follows:

Section 16. Any city, county, township, ~~town,~~ school district, or any other political subdivision incurring indebtedness ~~shall~~, at or before the time of so doing, shall provide for ~~the collection of an~~ annual ~~tax~~revenues sufficient to pay the interest and also the principal thereof when due, and all laws or ordinances providing for the payment of the interest or principal of any debt ~~shall be~~are irrepealable until such debt be paid. A political subdivision may not issue general obligation bonds secured with tax levied on the assessed value of property on or after the effective date of this amendment.

~~**SECTION 5. AMENDMENT.** Section 27 of article X of the Constitution of North Dakota is amended and reenacted as follows:~~