2023 SENATE FINANCE AND TAXATION

SB 2361

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2361
1/30/2023

Relating to a primary residence valuation freeze for purposes of calculating property tax; and to provide an effective date.

9:44 AM Chairman Kannianen opened hearing.

Senators Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:
- Taxable value
- Property Tax formula
- Inflation
- Mills
- Tax Equalization process

9:44 AM Senator Dever introduced bill.

9:59 AM Linda Svihovec, ND association of Counties, in opposition. #17701

10:07 AM Bill Wocken, ND League of Cities, in opposition. #17802

10:11 AM Katie Paulson, Tax Director/Recorder for Mackenzie County, in opposition. #17509

Additional written testimony:

David Lakefield #17612

Michael Connlley #17668 #17669

10:23 AM Chairman Kannianen adjourned meeting.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2361
1/31/2023

Relating to a primary residence valuation freeze for purposes of calculating property tax; and to provide an effective date.

11:13 AM Chairman Kannianen opens meeting.

Senator present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:
- Valuation freeze
- Committee Action

11:15 AM Senator Weber motioned a Do Not Pass.

11:15 AM Senator Piepkorn Seconded

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	Y
Senator Jeffery J. Magrum	Y
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Motion passes 6-0-0

11:16 AM Senator Patten will carry.

11:17 AM Chairman Kannianen adjourns meeting.

Nathan Liesen, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2361: Finance and Taxation Committee (Sen. Kannianen, Chairman) recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2361 was placed on the Eleventh order on the calendar. This bill does not affect workforce development.

TESTIMONY

SB 2361

To: Chairman Kannianen & Finance and Taxation Committee members

From: Katie Paulson, McKenzie County Recorder/Tax Director

Re: SB 2361

Chairman Kannianen and Committee Members:

My name is Katie Paulson and I serve as McKenzie County Recorder/Tax Director. I am writing to oppose SB 2361 that proposes a valuation freeze on a primary residence.

As Tax Director, it is my duty to ensure that the properties in McKenzie County are valued at market value and remain equalized in relation to the other properties within my county. The purpose of this process is to spread the property tax burden to our property owners in fair and equitable manner. I believe strongly in this process as I have spent many hours training, analyzing, and executing models that support where the valuation from each property comes from. Counties do sales ratio studies annually to analyze the market value of properties within our jurisdiction to determine what fair property valuations will look like for the upcoming year. Going through this process on a regular basis allows us to make timely adjustments to the valuations that set the base for all of the taxing districts that levy taxes.

I see a number of negative impacts that would result in this sort of legislation. Number one, properties that do not qualify would bear a heavier burden of the taxes in our county. If we have a large percentage of properties that could potentially not change in valuation for up to 30 years, there would be a group that stayed at market value, and some that could be decades behind the market value, so it would be possible to have 2 similar houses with vastly different tax implications. That doesn't seem fair and equalized. Part of the sales ratio study measures the accuracy of our pricing models we employ, so if there is a market sale of a house that has been a part of this property valuation freeze, we would likely see a trend of sales ratios that indicate that the majority of our properties are grossly undervalued, which could trigger an overall increase needed to achieve tolerance guidelines set by the state law. Many counties would not have the ability to not use those sales in their study as some jurisdictions struggle to have 30 sales that they can use in the sales ratio study and it is an arms-length transaction that shows a consumer market value. Again, this would increase the tax burden on any properties not involved with the valuation freeze. Our ag land and commercial properties would feel this burden as well because they do not qualify for this freeze.

Tracking whether or not the property still would qualify for the freeze would be difficult as well. It would mean that someone would have to run title on all the properties to check to see if there were new mortgage documents recorded. In my other role as county recorder at the county, I know that this would be a labor-intensive task that would take a large amount of time. Who is responsible for that piece of this law?

Valuation freezes, exemptions, and concepts like that are continuing to shift the tax burden to others. It doesn't take away the taxes needed, it just takes the portion that qualifies for the exemption and shifts it to groups that don't qualify. That is not tax relief for all. This change would undermine the process of equalizing values for every city and county. Truly the role of tax equalization is to be fair and equitable. Providing escape clauses for a portion of the property owners is not what we should do for the citizens of North Dakota. I strongly urge you to **DO NOT PASS SB 2361**.

Thank you for your time and consideration.

Katie Paulson

McKenzie County Recorder/Tax Equalization Director

Senate Finance and Taxation
Chairman Jordan Kannianen
January 30, 2023

By: David Lakefield
Finance Director, City of Minot
701-857-4784

SB 2361

Chairman Kannianen and Members of the Senate Finance and Taxation Committee, my name is David Lakefield and I am the Finance Director for the City of Minot. I would like to thank you for your time to address this bill this morning.

As a city staff member that is very involved in preparation and management of the annual budget for the City of Minot. I would like to highlight a few concerns with the proposed legislation. This bill as I understand it would provide a mechanism for property owners to apply for a freeze the valuation of their primary residence. I feel this bill will have the unintended consequence of shifting the tax burden to properties that have not applied for the freeze or other types of property such as commercial and agricultural.

As we develop a budget for the city, we determine how much money is required to be raised via property tax. The amount to be raised is divided by the overall taxable value to arrive at the mill rate. That rate can then be applied to individual parcels to calculate the tax for that property. Freezing the true and full value for some properties will artificially reduce the overall valuation and result in a higher mill rate. This would result in an assessment of tax that would not be equitable even among similar properties of like value.

The City of Minot 2023 budget totaled $182,627,269 of which $27,186,821 or 14.9% was funded by property tax. The bulk of the funds raised through property tax are used to fund public safety, street maintenance and general administrative functions. In the 2023 budget, Minot appropriated $23,413,081 for public safety activities and another $5,596,528 for street maintenance. One could argue that all of the properties enjoy these services, yet some would benefit from having their values frozen while others would not get that benefit.

NDCC chapter 57-02 outlines in great detail the process that assessors must go through to ensure that all properties are assessed in an equitable fashion. In recent years, there has been a push to ensure that properties are assessed as close to market value as possible. This bill would undermine that effort and make it difficult to evaluate how close to market the assessments are each year.

For these reasons, I would request that the committee give SB 2361 a do not pass recommendation.

Thank you.

#17668

SB 2361

Good morning. Senators of Finance and Tax. I totally respect the daunting amount of information and bills in front of you during this legislative session. Senate Bill 2361, is more vital than many may assume, because it goes beyond just financial and tax implications by serving as a mean to get out in front of a trend that will eventually threaten our Constitutional based Republic and the Capitalism that maintains one of its foundational pillars.

Throughout history all one must do is look at how countries ran their markets and the shifts over time. This is a small line of progression, but is makes the point because all of them function in the absence of private property ownership, except capitalism. The progression is as follows: Serfism>>>Feudalism>>> “Capitalism” >>> Marxism>>>Socialism>>>Communism.

What that means today is that private property ownership is seeing the beginning of being threatened by the practice of paying for government through property taxes with a natural increase in them through our February 1st state law requiring a True Market Value (TMV) be placed on property between 90% and 100% of TMV, which is driven by local assessing personnel. If local government does not do the assessing, then the state applies as 93% TMV give or take.

Now part of how TMV is calculated is driven by sales of neighboring and similar properties. This is where National and International companies like Blackstone, Haven-Park, Greystar, etc are starting to create some concerning ripples that threaten private property ownership. How they are doing it is they are buying properties all over the country and in North Dakota for 15% to 20% above market value which starts to drive up the TMV of all property's around. In turn creates a valuation bubble that prices the common man out of affordability of their own ownership. If and when these bubbles become so significant that private ownership sells out to the companies then we no longer have this foundational pillar of capitalism. Government has no choice but to subsidize these investments because people need places to live. It is through this public private partnership that our state and country start trending toward Socialism and Communism because there is no longer a private ownership element that the government does not hold control over. This bill will get in front of the impacts of valuation bubbles in North Dakota. (A side note that this bill cannot address, but we should be mindful of is that federal government has committed $900 billion annually to purchase land through programs like 30x30 with the goal of owning 30% of all property in the United States by 2030. If you couple both corporate purchases and federal buyouts the impacts of both on private ownership is under attack and it is better to get in front of it versus having to react to it).

Buy changing the current practice of applying an unrealized gain against a person's property to a realized gain, our state government essentially takes a stand that says we will not allow companies to drive values up by purchasing alone, thus eliminating valuation bubble potential.

Another benefit is this, we will be one of the only states in the country to address the expensive maintenance of urban sprawl on communities as they grow. Right now, most communities have policy and ordinances in place where growth pays for itself during implementation. It is around year 7, that the costs of extending maintenance services start out pacing the ability of new growth to pay for itself and cites find that they end up raising that taxes on the entire community to keep up. It is not right that the established community is forced to pay for new infrastructure and changing this application to a realized gain application adds fairness into how cities grow. Taxes can still go up at the vote of commissions and boards but those increase in mills will only apply to the last realized value. (Now one thing I would encourage you to change is the date it would start. The change is not intended to be an undue burden at the point of implementation. When last discussed with legislative counsel it was asked that the date of December 31, 2022 be changed to February 1st of 2024, that way it would apply to realized values as of the 2024 date and there would not have to be dedicated staff time to look back at taxes already applied which would be both costly and take up a lot of finance department resources. After the February 1st, 2024 the only increases applied would come from a raise in mill taxes by a vote of commission or board, or through the realized gain in values when property owners refinance or sell their property.) If we as a state can get ahead of addressing the cost of growth past the 7-year mark, we become unique in the county. Newer neighborhoods should cost more to pay for the additional services it takes to maintain them. Those costs would not be necessary if the new was not added to the grid of maintenance.

We should all be for growth, if it is right growth and our laws, ordinances need to do some adjustments to make sure we encourage just that, versus having to react to higher cost after growth happens beyond the citizens means to pay for it.

This change will also allow people to make smart financial decisions to manage their cost of living when they go from their working years to their retirement years and their income sources become fixed. If I am 30 years old and buy a house valued $200,000 as of February 1, 2024, never refinance then when I reach 65 I still pay whatever the voted mill is as it applies to the $200,000 still. It will allow me to plan better for those fixed income years. Now if I am 45 and I decide to refinance to pay for a remodel or other reason because the value has grown to $300,000 plus my equity then any new taxes would be applied to the new realized gain. Whether I refinance or not when I do finally retire, I will only pay for taxes applied to the realized gains I participated in as an owner. The value is still accruing which essentially incentivizes equity. Ask any accountant and they should agree, the more equity a person has the better off they will be.

Now workforce is a primary need for everyone throughout our country. What this would do to help is we become the only state in the nation that can say we do this without huge gas or business taxes as part of a citizen's expectation. In a time where inflation is killing families and corporations can buy property that drive up a person's expenses through valuation increases adding more to their plate, North Dakota can say, we are going to do this differently for our citizens. Many of the companies buying property here send their profits out of state, while the same companies drive the cost up for the ones living here. Why side with those businesses over citizens that live right here that spend their dollars here.

Being in a Constitutional Republic our system is built on checks and balances. When property taxes can go up without the check of elected leaders, we create an opening for unchecked spending. This happened in Bismarck as the valuation increase last year provided a $7 million dollar bump in revenue to one particular government subdivision. Government has a long history of following an unwritten rule to spend to its limits when money is appropriated. This is because of the expectation of, proving they needed the money, or under grant requirements us it or lose it. Then that carries over into requests for more appropriation allotments when money is seen as available. In the last year and a half this unchecked money was exercised by the local

Bismarck Government subdivision as the valuation money was on hand to put the CFO of that division in a position to work with another subdivision to spend more then $1.5 million on a parking lot in conjunction with a street maintenance project. The staff and CFO worked and made the decision on there own and never presented it to the board/commission (another check and balance). Not, but 4 months later the same government subdivision had to ask the board for permission to spend around $1 million on a different project because there was not longer any money just sitting around and it would have to be addressed through a budget decision making process. If you were to look at another division of government with a much larger budget known as the Metropolitan Planning Organization (MPO), has to go to their board if they spend more then $30,000, then extra money through valuation bumps present some compromise that could leave an opening from the improper use of money obtained from taxpayers is a reality at our local level. Based on building permits and home sales in Bismarck if a realized value application was applied last year, the revenue bump would have been around $2.4 million versus $7 million for the mentioned government subdivision. If the taxpayer is supposed to trust how their money is spent this seems like a good option to add as a check and balance as valuation money cannot be added to a budget until it is realized thus making it, a situation where programs are limited or cut, or layoffs are necessary. Those decisions will shift to where it should have been all the time and that is to the vote of the elected officials that ran on leadership to make the tough decisions to meet the needs of the expectations of their subdivision. The citizens should no longer have to listen to a government subdivision elected official or staff member say that they did not have to raise taxes because the valuation increases were so good, yet everyone’s property taxes went up (See my county statements attached: where my home valuation is up $25,000 in just 3 years and last year there was no mill increase yet every subdivision had an increase of my tax expectation due to the increase in valuation). The only way they should go up is a vote, not a February 1st State law that defines a window of TMV increase by forces out of a citizens control and vote.

This change can also offer an opportunity to add check and balances into other programs sponsored by the government. When the government offers an incentive that businesses or residents can apply for, our state can add a stipulation that when an incentive is extended, then at the end of the incentive a new realized value would have to be recognized in order for the taxpayer to be repaid for their investment through said incentive. An example of this would be the use of TIF districts. Now this would take either additional legislation or a vote of commissions, but it does open a window for such accountability in protecting state and local incentive investment.

As a final note, Joe Biden introduced the idea that an unrealized gain should be applied to 401k, Roth and other retirement benefits every year even though they do not become realized until a person retires at the earliest age of 59 ½ years of age. This was highly resisted by even members of his own party with an election looming. Thank heavens we took control of one branch as well as hold filibuster ability in the other or who knows what would have happened. As a Republican that believes in low taxes, I struggle to think why the status quo of applying unrealized gain taxes on property continues in North Dakota, since we have taken control of the state. Do we have Republican's that think about valuation the same way Biden thinks about retirement? If so, I would really like to know why? Making this change is not "Tax Reform" as it does not change the ability to tax. It does however address many of issues of inequity and check and balances that our system seems to require for the proper use of taxpayer resources and trust.

It you have any questions feel free to contact me at 701-400-1839 or by email at Blink.2019@outlook.com .

Sincerely,

Michael (Mike) Connelly

https://www.nytimes.com/2020/03/04/magazine/wall-street-landlords.html

https://www.theatlantic.com/ideas/archive/2021/06/real-problem-corporate-landlords/619244/

https://www.jchs.harvard.edu/blog/who-owns-rental-properties-and-is-it-changing

https://nypost.com/2020/07/18/corporations-are-buying-houses-robbing-families-of-american-dream/

#17669

2022 Burleigh County Real Estate Tax Statement

☐ *Check here to request receipt*
(No receipt will be sent unless requested)

0055-001-001

Parcel Number: 0055-001-001
Statement Number: 6365

Total tax due	2,944.13
Less 5% discount	124.89
Amount due by February 15, 2023	**2,819.24**
Or pay in two installments (with no discount):	
Payment 1: Pay by March 1, 2023	1,695.24
Payment 2: Pay by October 16, 2023	1,248.89

MAKE CHECK PAYABLE TO:

Burleigh County Treasurer
PO Box 5518
Bismarck, ND 58506-5518

CONNELLY, MICHAEL & WENDY M
1821 E AVENUE E
BISMARCK ND 58501-4273

MP #

Detach and return with payment

2022 Burleigh County Real Estate Tax Statement

Statement No: 6365

Parcel Number
0055-001-001

Jurisdiction
010101

Owner
CONNELLY, MICHAEL & WENDY M

Physical Location
1821 E E AVE
BISMARCK, ND

Legal Description
Addition Name: PARKVIEW REPLAT
BLK:1
PARKVIEW REPLAT Block: 1 LOT 1

Legislative tax relief (3-year comparison)	**2020**	**2021**	**2022**
Legislative tax relief	1,205.97	1,258.85	1,354.99

Tax distribution (3-year comparison):	**2020**	**2021**	**2022**
True and Full Value	193,500	202,200	218,400
Taxable Value	8,708	9,099	9,828
Less: Homestead credit	0	0	0
Disabled Veterans credit	0	0	0
Net Taxable Value	8,708	9,099	9,828
Total mill levy	244.940	254.140	254.150
Taxes By District (in dollars):			
City	598.24	707.46	765.42
County	299.22	313.00	336.70
Park	293.36	307.54	332.39
School (after State Reduction)	933.42	975.32	1,053.46
State	8.70	9.10	9.82
Consolidated tax	**2,132.94**	**2,312.42**	**2,497.79**
Net effective tax rate	**1.10%**	**1.14%**	**1.14%**

2022 TAX BREAKDOWN	
Net consolidated tax	2,497.79
Plus: Special Assessments	446.34
Total tax due	2,944.13
Less: 5% discount, if paid by February 15, 2023	124.89
Amount due by February 15, 2023	**2,819.24**
Or pay in two installments (with no discount):	
Payment 1: Pay by March 1, 2023	1,695.24
Payment 2: Pay by October 16, 2023	1,248.89

Special Assessments	
Principal	435.17
Interest	11.17
Installment payment due	446.34
Remaining balance due	1,114.90

To pay the city specials remaining balance, make your payment directly to the City of Bismarck, PO Box 5503, Bismarck, ND 58506
Phone: 701.355.1600

See Important Information On Back
Please keep this portion for your records.
No receipt will be sent unless requested.

FOR ASSISTANCE CONTACT:

Office: Burleigh County Treasurer
221 N 5th Street
Bismarck, ND 58501

Phone: 701.222.6694

Website: www.burleighco.com

THIS IS NOT A BILL
Notice of Estimated Property Tax and Budget Hearing Dates

You are hereby notified of the potential change in your taxes based on each district's preliminary budgets. Your actual taxes may vary based upon the final budgets of the districts and any valuation adjustments made by the State Board of Equalization. This notice does not include any special assessments.

Parcel Number: 0055-001-001

Physical Address:
1821 E E AVE
BISMARCK, ND

Legal Description:
BLK:1
PARKVIEW REPLAT Block: 1 LOT 1

CONNELLY, MICHAEL & WENDY M
1821 E AVENUE E
BISMARCK ND 58501-4273

	2021	2022	Change	
Legislative Tax Relief	$1,258.85	$1,354.89	$96.04	

* Property Valuation	2021	2022	Change	Change %
True & Full Value	$202,200	$218,400	$16,200	8.01%
Taxable Value	9,099	9,828	729	
Less: Homestead Credit				
Less: Disabled Veteran Credit				
Taxable Value	**$9,099**	**$9,828**	**$729**	**8.01%**

Property Taxes by District	2021	2022 Proposed	Change	
Burleigh County	$279.06	$320.28	$41.22	INCREASE
City of Bismarck	$707.46	$768.86	$61.40	INCREASE
Bismarck Park District	$307.54	$332.30	$24.76	INCREASE
Bismarck School	$975.32	$1,053.46	$78.14	INCREASE
Soil Conservation District	$11.20	$4.82	$-6.38	
Garrison Diversion	$9.10	$9.82	$0.72	INCREASE
Water Resource District	$13.64	$14.74	$1.10	INCREASE
State of North Dakota	$9.10	$9.82	$0.72	INCREASE
Consolidated Tax	**$2,312.42**	**$2,514.10**	**$201.68**	**8.72%**

Effective Tax Rate (tax divided by value) 1.14% 1.15%

Hearing Schedule: (Hearing on Preliminary Budget)

Burleigh County	**September 21, 2022 6:00PM Tom Baker Room, City/County Building, 221 N 5th St, Bismarck, ND 58501**
City of Bismarck	**September 13, 2022 5:15PM Tom Baker Room, City/County Building, 221 N 5th St, Bismarck, ND 58501**
Bismarck Park	**September 15, 2022 5:15PM Tom Baker Room, City/County Building, 221 N 5th St, Bismarck, ND 58501**
Bismarck School	**September 12, 2022 6:00PM Tom Baker Room, City/County Building, 221 N 5th St, Bismarck, ND 58501**
Soil Conservation	**October 5, 2022 9:00AM Menoken Farm, 1107 171st St NE, Menoken, ND 58558**
Garrison Diversion	**October 6, 2022 1:45PM Garrison Diversion Office, 401 Highway 281 NE, Carrington, ND 58421**

Citizens will have an opportunity to present oral or written comments regarding the district's budget at or before the hearing. A copy of the district's budget will be available at the district's normal place of business at least 7 days prior to the hearing.

*** Although property valuation information is included in this notice, property values cannot be addressed at the public hearings listed. Objections to valuations must be addressed to local, county and state boards of equalization or through abatement proceedings after the value is set. Governing bodies holding public hearings regarding preliminary budgets do not have the authority to change property values.**

Testimony Prepared for the
House Finance & Taxation Committee
January 29, 2023
By: Linda Svihovec, NDACo

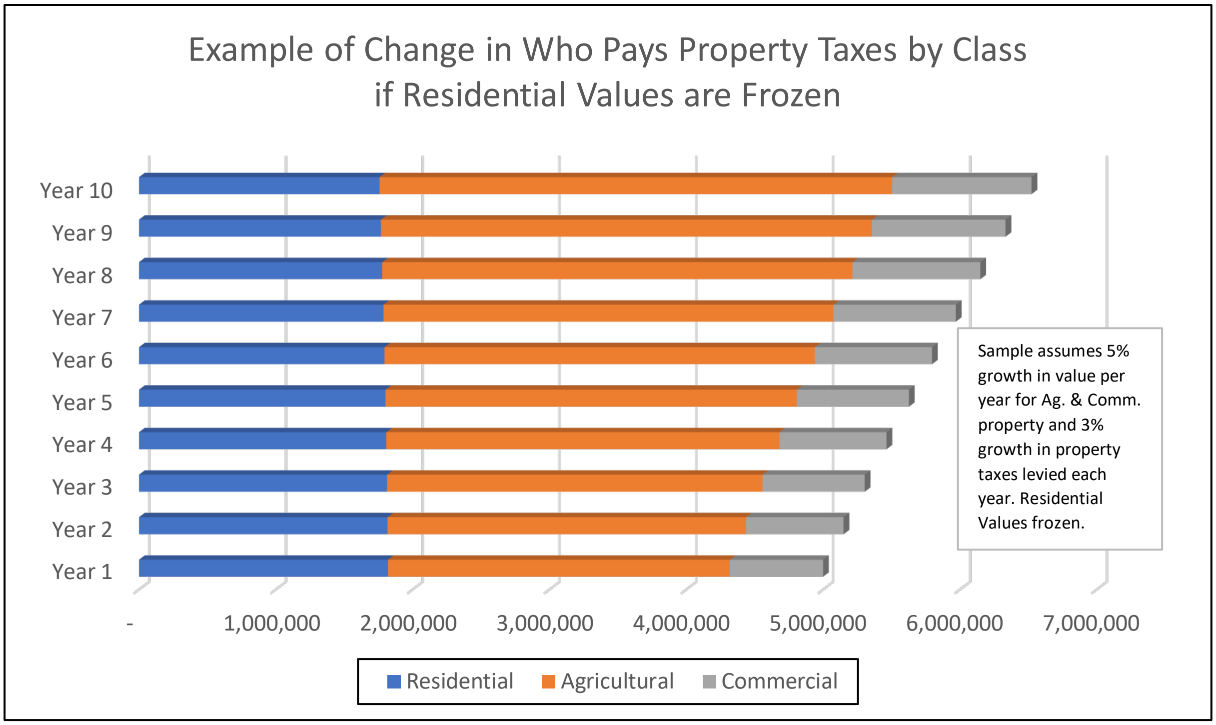
RE: Opposition to Senate Bill 2361
Primary Residence Value Freeze

Good morning Chairman Kannianen and committee members. Thank you for this opportunity to provide testimony in opposition to Senate Bill 2361 on behalf of our 53 counties and our county officials that are charged with the fair and equitable administration of our property tax system.

These county officials, from across the State, agree with the goal they understand the sponsors are seeking in this bill – that of a reduction in property tax growth that is equitable for all taxpayers. Unfortunately, this bill would not be fair to taxpayers and would likely conflict with statutory and constitutional requirements.

Article X, Section 5 of our state's Constitution begins by stating: "*Taxes shall be uniform upon the same class of property including franchises within the territorial limits of the authority levying the tax*." Clearly, this law will force property taxes to gradually become less and less uniform as the value used for taxation of residential property drifts further and further from its true market value. Newer homes will be closer to reality, while older homes will be less accurate. Taxes will shift toward the slower appreciating new homes and away from the rapidly appreciating older homes.

One can anticipate shifts between property classes as well over time, shifting a greater share of the tax burden away from residential properties to commercial and agricultural parcels. To demonstrate this, the chart below assumes a 5% growth in valuation for agricultural and commercial properties per year, a 3% growth in dollars levied each year, and <u>residential property values frozen</u>. While residential property owners' taxes remain relatively unchanged, agricultural and commercial property owners pay a larger share of the overall tax liability.



As a number of states have gone down this road, there is an increasing body of research on this topic. Below I cite a statement from a January 26, 2023 article by the Tax Foundation – an organization that is characterized as conservative and business-oriented that is *"generally critical of tax increases and high taxation"*, regarding California's assessment limitations under Proposition 13.

"Proposition 13 and other property tax assessment limits have done their job, keeping incumbent property owners' taxes in check. But they've come with hidden costs. They discourage homeowners from renovating or adding onto their homes, for fear of incurring a dramatic tax increase. They make it less attractive for growing families to move past their starter homes or for empty nesters to downsize. They interfere with efforts to change a property's use. And, over time, they shift costs to newer, younger homeowners—the rising generation that [state] lawmakers want to keep in-state."

Limiting residential assessments increases the share of property tax revenue that is generated from newer properties, or those which have changed ownership recently. This potentially penalizes younger and lower-income homeowners who over the course of their lives frequently upgrade to larger and more expensive homes as they gain additional financial security, and in the process, sell their old, more affordable homes. Freezing residential property values keeps such individuals in their more modest homes longer and decreases the stock of starter homes and other more affordable housing on the market, to the detriment of those with fewer financial resources.

Mr. Chairman and members of the Committee, for preservation of North Dakota's housing economy and to preserve the fairness of our property tax system, the North Dakota Association of Counties urges a Do Not Pass recommendation on SB 2361.

From Page 66 & 67 – [State and Local Taxes (Red Book)]

Effective Rates by Classification

Payable in 2020, 2021, and 2022

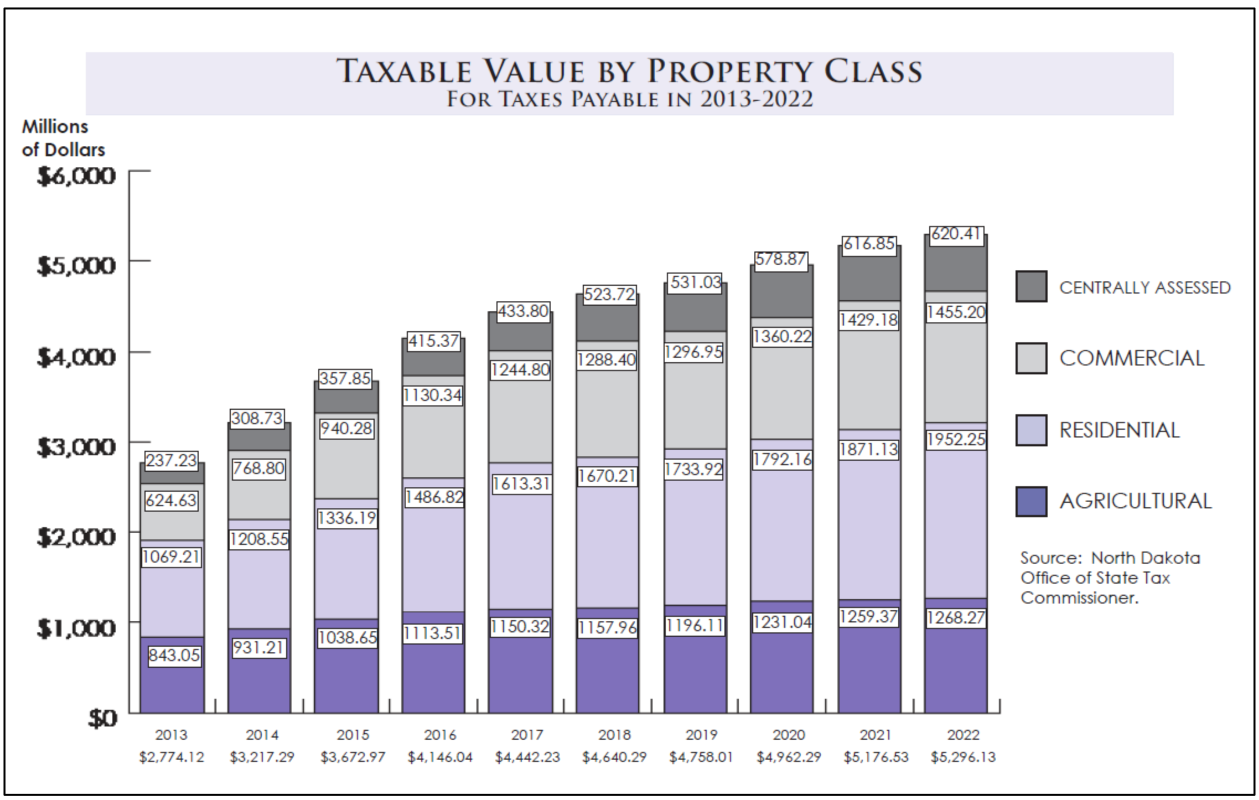
Property Classification	Effective Rate 2020	2021	2022
Residential	1.16%	1.1%	1.18%
Agricultural	0.97%	0.98%	0.98%
Commercial	1.23%	1.23%	1.26%
Centrally Assessed*	0.76%	0.75%	0.76%

*The effective rate on centrally assessed wind turbine electric generation units is understated because of their reduced taxable value percentage. That causes the effective rate on the centrally assessed property to be understated.

Ad Valorem Property Taxes Percent of Total by Classification

Payable in 2020, 2021, and 2022

	2020	2021	2022
Residential	41.1%	41.2%	42.0%
Agricultural	21.3%	21.0%	20.4%
Commercial	29.8%	29.9%	29.9%
Centrally Assessed	7.8%	7.9%	7.7%



Testimony in Opposition to Senate Bill 2361
January 30, 2023
Senate Finance and Taxation Committee
Bill Wocken on behalf of the North Dakota League of Cities

Good Morning, Mr. Chairman and members of the Senate Finance and Taxation Committee. For the record, my name is Bill Wocken, appearing on behalf of the North Dakota League of Cities in opposition to Senate Bill 2361.

This bill proposes to allow the full and true value of a primary residential unit to be frozen at the level existing on the date the resident files for this relief. The unit must be owned and occupied by the person making the election. The value remains frozen for as long as the owner retains ownership of the unit and lives there.

The League of Cities is concerned about the financial ramifications of this bill. The property tax received by a city is needed to provide services to city residents. Many of these services are especially important to our elderly residents. By freezing taxes, the city may face the awkward choice of having to reduce services or to increase taxes to cover the deficit caused by rising service costs and this freezing of taxes. We have no idea how many frozen valuations to expect.

If there is a citizen in financial need, it should be pointed out that the state Homestead Credit (NDCC 57-02) program can provide relief for those in need. This program is reviewed every legislative session to stay current with financial need factors and is very effective.

For these reasons the North Dakota League of Cities opposes this bill and respectfully requests a Do Not Pass recommendation from the committee. I will be happy to answer any questions you may have of me.