

POLITICAL SUBDIVISION BUDGET AND PROPERTY TAX RELIEF INFORMATION - BACKGROUND MEMORANDUM

House Bill No. 1132 (2013) directed the Legislative Management to assign to the Advisory Commission on Intergovernmental Relations a study of making political subdivision budget information accessible on the state budget database website and finding better ways to inform taxpayers regarding political subdivision budget or levy deliberations and better ways to inform taxpayers regarding legislative property tax relief. House Bill No. 1132 as introduced would have required enhanced information on property tax statements. The amendment to House Bill No. 1132 directing the study by the Advisory Commission on Intergovernmental Relations incorporates consideration of an issue raised by House Bill No. 1256 (2013) which, as introduced, would have required political subdivisions to submit budget information for inclusion on the state budget database website.

STATE BUDGET DATABASE WEBSITE USE

The sponsor of House Bill No. 1256 explained the objective to the House Political Subdivisions Committee of expanding the searchable state budget database. He said the proposed expansion would include on the state website annual budget information so that citizens would have a place where they could go to look at the budget of a city, county, or any other political subdivision to see how their taxpayer dollars are being spent.

During committee discussion and testimony, several issues were raised which suggested a need for additional consideration:

1. Small cities, townships, or other political subdivisions may face compliance problems due to inadequate technology resources, budget, or staffing issues.
2. The information that would be made available should already be available to taxpayers by requesting it from the political subdivision or obtaining it from an existing online source.
3. The North Dakota Township Officers Association expressed opposition to the requirement and pointed out North Dakota Century Code Section 54-27-26 requires each county, city, and township provide the Tax Commissioner an annual report on funding and expenditures relating to transportation projects and programs. The North Dakota League of Cities appeared in a neutral position but expressed concern that city budget information is readily available from the city and questioned whether another source of information would provide duplication of efforts or provide a benefit the public wants.
4. The Office of Management and Budget expressed concern there are over 3,000 political subdivisions in the state, which would create a workload issue in contacting political subdivisions and verifying that required reports have been submitted. The Office of Management and Budget also pointed out the state budget database that is in place has been automated to draw information from the PeopleSoft accounting and payroll system used by all state agencies and higher education. The Office of Management and Budget pointed out political subdivisions do not use PeopleSoft and, even if they did, it would not be the same PeopleSoft system the state uses; so it would have to be a totally separate database, which would not be searchable or automated to retrieve desired information.

House Bill No. 1256 was returned to the House floor with a do not pass recommendation and failed to pass on the floor.

Late in the legislative session, an amendment was added to House Bill No. 1015 which, as enacted, created a new subsection to Section 54-44.1-18 providing as follows:

The governing body of each political subdivision may submit the annual budget adopted by the governing body to the director of the budget. The director of the budget shall include on the office of management and budget website any information submitted by a participating governing body of a political subdivision. The official who submits the annual budget to the director of the budget may not submit any information that is confidential under state or federal law. In lieu of submitting the annual budget adopted by the governing body to the director, any participating governing body may provide to the director a publicly accessible internet link on which the annual budget adopted by the participating governing body is available.

INFORMING TAXPAYERS OF BUDGET AND LEVY MEETINGS AND LEGISLATIVE PROPERTY TAX RELIEF

Senate Bill No. 2036 was amended late in the 2013 legislative session to incorporate property tax reform issues that had been discussed in connection with several other bills during the session. The common objective

of much of the legislative discussion during the session was providing taxpayers access to more understandable information on how property taxes are determined and to encourage discourse between political subdivision governing bodies and taxpayers in the budget and levy public hearings process. The property tax reform amendments added to Senate Bill No. 2036 related primarily to three areas, including assessment increase notices, property tax levy increase notices, and information contained in real estate tax statements.

Section 57-12-09 provides if an assessor increases true and full valuation of any parcel by \$3,000 or more and 10 percent or more of the last assessment, written notice of the amount of increase must be sent to the property owner. Senate Bill No. 2036 added two new subsections providing:

2. The form of notice prescribed by the tax commissioner must require a statement to inform the taxpayer that an assessment increase does not mean property taxes on the parcel will increase. The notice must state that each taxing district must base its tax rate on the number of dollars raised from property taxes in the previous taxable year by the taxing district and that notice of public hearing will be mailed to the property owner if a greater property tax levy is being proposed by the taxing district. The notice may not contain an estimate of a tax increase resulting from the assessment increase.
3. The assessor shall provide an electronic or printed list including the name and address of the addressee of each assessment increase notice required under this section to each city, county, school district, or city park district in which the subject property is located, but a copy does not have to be provided to any such taxing district that levied a property tax levy of less than one hundred thousand dollars for the prior year.

Section 57-15-02.1 provides a taxing district may not impose a property tax levy in a greater number of mills than the zero increase number of mills without publishing newspaper notice of the intended tax increase. Senate Bill No. 2036 added a requirement that at least seven days before a public hearing on a property tax levy for more than a zero increase number of mills, the governing body must provide mailed notice to each property owner in the taxing district who received notice of an assessment increase for the taxable year under Section 57-12-09. The bill also provided an adjustment for taxable year 2013 for determining the zero increase number of mills for a school district, to reflect the property tax relief provided by reducing mill levies of school districts.

Section 57-20-07.1 was amended by Senate Bill No. 2036 to require the real estate tax statement sent by the county treasurer to provide information identifying the property tax savings provided by the state and to include a line item entitled "legislative tax relief" to identify the dollar amount of property tax savings realized by the taxpayer under Chapter 15.1-27 and Section 57-20-07.2. The amendment also created a provision that the form of the real estate tax statement to be used in every county must be prescribed and approved for use by the Tax Commissioner.