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ROLL NUMBER

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Deanna Holbrook
Operator's Signature

10/2/03
Date

2003 HOUSE AGRICULTURE

HB 1219

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Dennis Hall
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10/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1219

House Agriculture Committee

Conference Committee

Hearing Date 1---23---03

Tape Number	Side A	Side B	Meter #
ONE		B	12.0 TO 37.4
Committee Clerk Signature <i>Edward D. Ulfson</i>			

Minutes: VICE CHAIRMAN POLLERT: Committee Members, We will open the hearing on HB 1219. Representative Froelich.

REP. FROELICH: Mr. Chairman the bill that has been drafted. Lets throw it away. I hope to hoghouse the bill. The reason that this Bill was brought before is that land is being bought For over inflated. There paying prices that are unheard of. The land is being taken out of production and being used for recreational purposes The land is not being assessed at true value because it is still be assessed farm property and is not producing any crops any more. I am not sure this bill is going to do what we want it to do. We need a vehicle to get to where we want to go. When the Bill gets done, it will look different then it dose now. We need Some amendments. I am looking for any suggestions. Recreational property is still being Assessed and taxed as farm property. {{{{PLEASE SEE PROPOSED AMENDMENTS}}}} If people want to buy the land let them pay taxes on true value of land.

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Donna Ballantyne
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1/2/03
Date

Page 2
House Agriculture Committee
Bill/Resolution Number HB 1219
Hearing Date 1--23--03

REPRESENTATIVE POLLERT: Representative Froehlich I would if we should or is it possible to set up a Subcommittee and meet with some people that have some opposition to the Bill.

REPRESENTATIVE KELSCH: Are we talking about people buying land north of Bismarck. Two Three or Five acres. Are we talking about these people having recreational land. Where would these acreage's fall in.

REPRESENTATIVE FROELICH: Really had no answer rather then start all over with the bill.

REP. BELTER : People that have had land for fifty years and now put it CRP. Do we treat Both the out of state purchasers the same as people that have owned land for years.

REP. FROELICH : If it is not producing land it is recreational land should be assessed and taxed that way.

REPRESENTATIVE POLLERT: Any additional people in favor. We will take Testimony in opposition.

BEA WALD: I am an assessor. The way the bill is written , it opens up an assessment night mare. It probable has a wonderful idea behind it but it need to be re written. So it can be assessed. Or administered.. The township assessors would like to be involved in the Bill. I have been an assessor for eighteen years. It could be done.

SANDY CLARK: North Dakota Farm Bureau. {{{{{{PLEASE SEE PRINTED TESTIMONY}}}}} We OPPOSE HB 1219

GARY MARTISON: I am a city assessor for the City of Devils Lake, N.D
Why would a city be concerned about agriculture property.. Our concern is that it dose

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Page 3
House Agriculture Committee
Bill/Resolution Number HB 1219
Hearing Date 1---23---03

Not have a ripple effect on the City of Devils Lake. We use Agriculture definition of part of four conditions. We need subdivisions. What would be cost. Under this bill the tax could go from five dollars to five hundred dollars per year. Until a lot is sold in a subdivision it is assessed as agriculture land. When the lot is sold it is assessed as a lot to be built on and the value goes up. We have about ten subdivisions in Devils Lake. The vacant lots in a subdivision are valued at agriculture land and once the lot is built on etc. It is valued at commercial value. With out this we would not have developers.

MARCY DICKERSON: For the record I am Marcy Dickerson and I am state supervisor for assessments for the Tax Commissioners Office. It looks like the Bill is going to be changed. I would like to sit in on any amendments that are being formulated on this whole issue if you would do that.

REPRESENTATIVE POLLERT: I am going to appoint a subcommittee as to this Bill.

The subcommittee will consist of Representatives, Froelich, Belter and Kreigh

WE WILL CLOSE ON HB 1219

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1219

House Agriculture Committee

Conference Committee

Hearing Date 2--07--03

Tape Number	Side A	Side B	Meter #
ONE		B	TO'
			END
Committee Clerk Signature <i>Edward D. Clayton</i>			

Minutes:

CHAIRMAN NICHOLAS: Representative Froelich has some amendments for this bill.

This is basically a hog house amendment isn't it?

REP. FROELICH: This has been a complicated issue. I have been to the Tax Department.

We have taken away a lot of things that were in the first amendment. First one is self explanatory. {{{{PLEASE READ AMENDMENTS.}}}}

We have law in there that classifies what a farmer is. If a person from Chicago comes in and buy's a piece of property and he dose not get 51 % of his income from Agriculture, He dose not get the agriculture tax break on it. That is what this amendment dose. There is already in statue that states what a farmer is.

CHAIRMAN NICHOLAS: We have dealt with that extensively in finance and tax and trying to define that. If they graze the land or farm it, it is considered agriculture.

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Page 2
House Agriculture Committee
Bill/Resolution Number HB 1219
Hearing Date 2--07--03

CHAIRMAN NICHOLAS: What would happen with that land if someone came in and purchased a section of land along side of your farm and rented it to you to continue in the farming process.

REP. FROELICH : As long as it is cropped or farmed one out of three years it would be considered agriculture.

CHAIRMAN NICHOLAS: Do you want to move your amendments.

REPRESENTATIVE MOVES ON AMENDMENTS AND IT WAS SECONDED BY REPRESENTATIVE KREIDT. PASSED WITH ALL IN FAVOR OF AMENDMENTS. REPRESENTATIVE FROELICH MOVED FOR A DO PASS AND REPRESENTATIVE SECONDED THE MOTION.

CHAIRMAN NICHOLAS: If the land if it is just going to be used for pheasant hunting. The commissioners or who would have a opportunity to tax that land at a different rate then a cow calf producer.

REP. FROELICH ; I they are not going to use it for Agriculture. I understand Representative Belters concern but it is happening more and more. I understand Representative Belters concern that it is going to have a new classification. We looked at it from the Tax Commissioners standpoint. He said true and full value. This is as close as we can get.

REPRESENTATIVE BELTER: Point of clarification. The increase purchase price that they are paying over ordinary market values will not have any impact on taxation of surrounding agriculture property because our agriculture taxation is not based on the sale of land it is on productivity.

CHAIRMAN NICHOLAS : Any other discussion Committee Members.

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House Agriculture Committee
Bill/Resolution Number HB 1219
Hearing Date 2--07--03

THE CLERK WILL TAKE THE ROLL. THERE WERE 10 YES 3 NO 0 ABSENT
REPRESENTATIVE ONSTAD CARRIED THE BILL.

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10/2/03
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FISCAL NOTE
 Requested by Legislative Council
 03/07/2003

Amendment to: HB 1219

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

If enacted, Engrossed HB 1219 may result in a slight, indeterminable increase in revenue to the State Medical Center. There will not necessarily be any net change in overall revenues to counties, cities, or school districts, as changing the valuations of existing property does not change the dollar amount a political subdivision may levy.

If property that has been assessed as agricultural property is subsequently assessed as commercial or residential property, it will be assessed at its market value, which will likely be greater than its agricultural value. This will not affect the tax amounts that may be levied by the political subdivisions in which the property is located.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

There may be increases in the payments in lieu of property taxes required from the Board of University and School Lands, ND Game and Fish Department, and ND National Guard depending on how their lands are used.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	03/07/2003

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Dawn M. Stroh
 Operator's Signature

10/2/03
 Date

FISCAL NOTE
 Requested by Legislative Council
 01/13/2003

Bill/Resolution No.: HB 1219

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

If enacted, HB 1219 may result in a slight, indeterminable increase in revenue to the State Medical Center. There will be no fiscal effect to any other state funds, counties, cities, or school districts, as changing the valuations of existing property does not change the dollar amount a political subdivision may levy.

If property that has been assessed as agricultural property is subsequently assessed as commercial or residential property, it will be assessed at its market value, which will likely be greater than its agricultural value. This will not affect the tax amounts that may be levied by the political subdivisions in which the property is located.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/21/2003

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Danna Hall
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1/21/03
 Date

30357.0201
Title.

Prepared by the Legislative Council staff for
Representative Froelich
January 22, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1219

Page 1, line 1, after "Act" insert "to create and enact a new subsection to section 57-02-01 of the North Dakota Century Code, relating to the definition of recreational property for property tax assessment and classification purposes;" and after "57-02-01" insert ", subsection 3 of section 57-02-27, and section 57-02-27.1"

Page 1, line 2, after the first "property" insert "and establishment of a recreational property classification"

Page 2, line 5, after "property" insert "and must be classified as recreational property" and replace "both" with "either"

Page 2, replace lines 7 through 13 with:

- (1) With the exception of property in the conservation reserve program, the property has not produced at least sixty percent of the county average agricultural production per acre in the most recent two years, excluding consideration of years in which the property has been affected by significant damage from flood, drought, fire, hail, wind, or other natural disaster.
- (2) For property in the conservation reserve program, that property combined with other agricultural property of the landowner does not contribute at least forty percent of the annual taxable income of the property owner, and spouse of the property owner if married, for federal income tax purposes.

Page 2, after line 13, insert:

"SECTION 2. A new subsection to section 57-02-01 of the North Dakota Century Code is created and enacted as follows:

"Recreational property" means property that would otherwise be classified as agricultural property except that one of the following conditions exist:

- a. With the exception of property in the conservation reserve program, the property has not produced at least sixty percent of the county average agricultural production per acre in the most recent two years, excluding consideration of years in which the property has been affected by significant damage from flood, drought, fire, hail, wind, or other natural disaster.
- b. For property in the conservation reserve program, that property combined with other agricultural property of the landowner does not contribute at least forty percent of the annual taxable income of the property owner, and spouse of the property owner if married, for federal income tax purposes.

SECTION 3. AMENDMENT. Subsection 3 of section 57-02-27 of the North Dakota Century Code is amended and reenacted as follows:

Page No. 1

30357.0201

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1/21/03
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3. All commercial and recreational property to be valued at ten percent of assessed value.

SECTION 4. AMENDMENT. Section 57-02-27.1 of the North Dakota Century Code is amended and reenacted as follows:

57-02-27.1. Property to be valued at true and full value. Beginning with the year 1981, all assessors and boards of equalization shall place the values of all items of taxable property at the true and full value of the property except as otherwise specifically provided by law, and the amount of taxes that may be levied on such property for the year 1981 and each year thereafter must be limited as provided in this chapter. For the purposes of sections 57-02-27, 57-02-27.1, 57-02-27.2, and 57-55-04, the term "true and full value" has the same meaning as provided in subsection 15 of section 57-02-01, except that "true and full value" of agricultural lands must be as determined pursuant to section 57-02-27.2 and "true and full value" of recreational property is the market value or most recent sale price of the property in an arm's-length sale, whichever is higher. If the sale price is the determinant of true and full value of recreational property under this section, that amount must be adjusted annually to reflect the same percentage change that applies for average market value for all property in the county."

Page 2, line 15, remove ", and applies retroactively for purposes of consideration of property sales"

Page 2, line 16, remove "occurring after December 31, 1992"

Renumber accordingly

30357.0202
Title.0300

Prepared by the Legislative Council staff for
Representative Froelich
February 5, 2003

VK
2/17/03

HOUSE AMENDMENTS TO HOUSE BILL NO. 1219 Agric. 2-17-03

Page 2, replace lines 5 through 13 with:

"b. Property is not agricultural property and must be considered to be for recreational use and assessed as commercial property if:

- (1) For property that is not enrolled in the conservation reserve program, the property was not primarily used for raising agricultural crops or grazing farm animals in at least one of the three consecutive preceding taxable years, excluding consideration of years in which natural disaster prevented such usage; or
- (2) For property that is enrolled in the conservation reserve program, the owner does not qualify as a farmer as defined in subdivision b of subsection 15 of section 57-02-08."

Renumber accordingly

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10/2/03
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HB 1219
2-7-03

Date:
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House AGRICULTURE COMMITTEE

WITH AMENDMENTS

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

WITH AMENDMENTS

Motion Made By

FROELICH

Seconded By

KREIDT

30357
0202

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN NICHOLAS					
VICE CHAIRMAN POLLERT					
REPRESENTATIVE BELTER			yes		
REPRESENTATIVE BOEHNING					
REPRESENTATIVE KELSCH					
REPRESENTATIVE KINGSBURY					
REPRESENTATIVE KREIDT					
REPRESENTATIVE UGLEM					
REPRESENTATIVE WRANGHAM					
REPRESENTATIVE BOE					
REPRESENTATIVE FROELICH					
REPRESENTATIVE MUELLER					
REPRESENTATIVE ONSTAD					

Total (Yes)

No

Absent

Floor Assignment

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Operator's Signature

Deanna Haldrup

Date

10/2/03

17B 1219

2-7-03

Date:
Roll Call Vote #:

**2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.**

House AGRICULTURE COMMITTEE

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By Froelich Seconded By Muller

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN NICHOLAS	✓				
VICE CHAIRMAN POLLERT	✓				
REPRESENTATIVE BELTER		✓			
REPRESENTATIVE BOEHNING	✓				
REPRESENTATIVE KELSCH		✓			
REPRESENTATIVE KINGSBURY	✓				
REPRESENTATIVE KREIDT	✓				
REPRESENTATIVE UGLEM	✓				
REPRESENTATIVE WRANGHAM		✓			
REPRESENTATIVE BOE	✓				
REPRESENTATIVE FROELICH	✓				
REPRESENTATIVE MUELLER	✓				
REPRESENTATIVE ONSTAD	✓				

Total (Yes) 10 No 3

Absent 0

Floor Assignment ONSTAD

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Doreen H. Baller
Operator's Signature

10/2/03
Date

REPORT OF STANDING COMMITTEE (410)
February 17, 2003 3:47 p.m.

Module No: HR-30-2971
Carrier: Onstad
Insert LC: 30357.0202 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1219: Agriculture Committee (Rep. Nicholas, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (10 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1219 was placed on the Sixth order on the calendar.

Page 2, replace lines 5 through 13 with:

"b. Property is not agricultural property and must be considered to be for recreational use and assessed as commercial property if:

- (1) For property that is not enrolled in the conservation reserve program, the property was not primarily used for raising agricultural crops or grazing farm animals in at least one of the three consecutive preceding taxable years, excluding consideration of years in which natural disaster prevented such usage; or
- (2) For property that is enrolled in the conservation reserve program, the owner does not qualify as a farmer as defined in subdivision b of subsection 15 of section 57-02-08."

Renumber accordingly

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2003 SENATE FINANCE AND TAXATION
HB 1219

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1219

Senate Finance and Taxation Committee

Conference Committee

Hearing Date March 12, 2003

Tape Number	Side A	Side B	Meter #
1	X		20-end
1		X	1-770

Committee Clerk Signature *Mary Kay Loring*

Minutes:

Senator Urlacher opened the hearing on HB1219. All committee members are present. This bill relates to the definition of agricultural property for property tax assessment and classification purposes.

Representative Rod Froelich (mtr #25) - Introduced the bill and explained its intent, this bill brought forward because of the prime hunting land in his district. Talked about the effect the bill would have on the definition of agricultural property and the resulting property taxes..

Referenced 57-02-08 (b) of the Century Code (exhibit A). Land in his area being purchased for artificially high prices by outside parties and taken out of ag production is a concern in his area.

Referenced an ad for the sale of land targeting recreational use rather than ag use (exhibit B).

Properties purchased by outside interests are not only taking land out of ag production, but do not participate in the community i.e. schools, churches, purchase etc. Feels this property should be

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Page 2
Senate Finance and Taxation Committee
Bill/Resolution Number HB1219
Hearing Date March 12, 2003

taxed as commercial rather than agricultural purposes. Bill gives the county commissioners the opportunity to tax this property differently, bill states "may" not "shall".

Senator Urlacher (mtr #665) - Clarified that CRP is still ag property unless the owner made more than 51% of their income outside of ag.

Representative Froelich (mtr #689) - Clarified the CRP issue with examples of a farmer and non farmer purchasing CRP land. Not trying to hold down prices with this bill, trying to help the counties because of continuous services the county provides whether someone farms the land or not.

Senator Urlacher (mtr #799) - Stated to clarify that an outside interest could purchase CRP and if income was less than 51% from ag would still be classified as a farmer.

Representative Froelich (mtr #817) - Clarified the percentages needed to be classified as a farmer.

Senator Wardner (mtr #875) - Questioned if there is a lot of land bought by outside parties that do not rent out land or farmstead?

Representative Froelich (mtr #902) - It is happening, particularly in hunting area. If parties buy the land and rent it out for ag purposes, then this bill would not effect them.

Senator Syverson (mtr #1023) - Cited an example of a farmer buying CRP in a different county then using for hunting. How would this bill effect that farmer.

Representative Froelich (mtr #1096) - In example given, if already classified as a farmer, this bill would not effect him.

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Senate Finance and Taxation Committee
Bill/Resolution Number HB1219
Hearing Date March 12, 2003

Senator Syverson (mtr #1127) - Using a different example, family that is not classified as a farmer, buys land and rents some, tills some and leaves some land as non productive. How would this bill effect them.

Representative Froelich (mtr #1180) - Used his own tax statement as an example, and stated that the person in the example would not be effected because the primary use of the land is ag.

Senator Syverson (mtr #1251) - Additional question, the definition of farmer, the income needs to be primary from land, this example family would not have primary income from land.

Representative Froelich (mtr #1284) - Is using the land for ag purpose, is still classified as ag.

Senator Urlacher (mtr #1314) - Questioned if outside interest purchased CRP land, where not allowed to be grazed, it would effect those.

Representative Froelich (mtr #1332) - It could effect them, yes. If non farmer, buys a quarter of CRP land at average county price of \$200.00 would not be effected, if pays an inflated price he would be effected by this bill.

Senator Wardner (mtr #1405) - What is the status of the CRP program?

Representative Froelich (mtr #1424) - CRP program is constantly changing.

Senator Urlacher (mtr #1483) - Feels that the program can be changed at anytime.

Representative Froelich (mtr #1500) - Agreed, the program could end, but there are existing contracts.

Senator Robert Erbele (mtr #1540) - Testified in support of HB1219. Feels this issue should be considered. Agrees with Representative Froelich. Gave an example of a person in his county buying land and will never rent out. Feels that non ag land should be a different tax structure. Concerned about cases when there is nothing put back into the community by the land owners.

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Representative James Kerzman (mtr #1878) - Testified in support of HB1219. Talked about the taxable value of land and the land valuation due to out of state buyers paying an inflated price.

Feels it is only fair to tax the land differently if it is used for non ag purposes.

Senator Nichols (mtr #2131) - Question with regard to CRP that is several years old. What happens to people that no longer live on the land, that would be reclassified?

Representative Kerzman (mtr #2207) - Depends on what they paid for it, if paid fair price, would not effect them.

Senator Urlacher (mtr #2255) - Questioned if this would interfere with the willing buyer/willing seller situation.

Representative Kerzman (mtr #2270) - Doesn't think so, are not touching that issue at all.

Wade Moszer (mtr #2312) - Testified in support of HB1219. Allows the buyer an out if they engage the property in ag purpose. Referenced line 16 and 17 on page 2 of the bill. Only effects those property sales occurring after December of 1992. Concerned about buyers paying a tremendously high price for land and walking away. All they have to do is engage the local ag community and will be exempt from this bill.

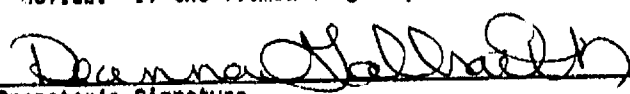
Ken Yantes, ND Township Officers (mtr #2480) - Supports the bill for reasons already stated.

Keith Trego, ND National Resource Trust (mtr #2610) - Testified in opposition to HB1219.

Written testimony is attached. Concerned about the effect this bill will have on non profit organizations. Talked about the difference between this bill and SB2185 that was passed in 2001. Feels HB1219 is inconsistent with apparent public policy. Requests a do not pass.

Senator Tollefson (mtr #3611) - Referenced page 2, line 16 and 17 of the bill. How does the retroactive portion effect on non profits?

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Mr. Trego (mtr #3639) - Not sure of the impact, is looking more to the future. Cutoff one way of the other would not impact much.

Paul Schadewell, ND Game and Fish Department (mtr #3717) - Testified in opposition to HB1219. Written testimony is attached. Concerned about the increase in the tax bill of the Game and Fish Dept and the resulting appropriation needed. Would make it difficult to sell their programs to farmers. Requests a do not pass.

Bill Pfeifer, ND Chapter of the Wildlife Society (mtr #4136) - Has questions about the bill, feels the present version leaves more questions than it provides solutions. Written testimony is attached. Requests a do not pass.

Senator Seymour (mtr #4878) - How many members of the Wildlife Society live in ND?

Mr. Pfeifer (mtr #4892) - Approximately 335 members live in ND.

Senator Wardner (mtr #4920) - Referenced the last part of Mr. Pfeifer's testimony, is the land farmed?

Mr. Pfeifer (mtr #4957) - No, they don't do anything. It is in the reserve program. They do receive 75% payment on the valuation of the land.

Senator Wardner (mtr #4985) - They have to pay the tax on the land?

Mr. Pfeifer (mtr #4989) - Yes, they retain ownership of the land.

Claus Lembke, ND Association of Realtors (mtr #5071) - Testified in opposition to HB1219.

Read prepared opposing testimony from Naomi Murphy of Killdeer ND. Believes this bill penalizes the willing buyer and willing sellers. Written testimony is attached. Mr. Lembke agrees with the statements of Ms. Murphy. Is concerned about the definition of recreational property, also concerned about the retroactive sale date.

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Senator Wardner (mtr #5590) - Regarding the example give by Ms. Murphy, wouldn't that qualify as ag land, because they would be renting it back to individual and therefore stay as ag property.

Mr. Lembke (mtr #5639) - Heard that in testimony, but doesn't see that in the bill. Bill states that 51% of income from ag defines a farmer.

Senator Wardner (mtr #5715) - Feels that B subsection 1, if ag one out of three years, wouldn't be considered for commercial property, not sure if definition of farmer would overrule that.

Keith Magnusson (mtr #5830) - Testified in opposition to HB1219. Talked about his situation with his farmland as inherited and how he feels this bill will effect him. Is concerned about the definition of a farmer.

Tape 1, Side B

Mr. Magnusson (mtr #1) - testimony continued about his situation with an inheritance. Requests the committee look at the definition of a farmer.

Harold Neameyer, Representing Cass County Wildlife Club (mtr #96) - Testified in opposition to HB1219. Feels it adversely effects many landowners. Written testimony is attached.

Senator Urlacher (mtr #155) - We tax based on a formula, how does this fit into the picture?

Marcy Dickerson, State Tax Department (mtr #204) - Testified on HB1219. Doesn't have a problem with the intent of the bill. Has concerns. Would like to have the word "primarily" further defined. Is also concerned about the language on line five of page two. Current ag formula does not look at the amount the land is sold for. Commercial property does consider the

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dollar amount of the sale. Testimony also included information on the tax effect to government agencies that pay in lieu of taxes. Written testimony is attached.

Senator Wardner (mtr #525) - Question in reference to the second page of the bill, interpreting the definition of ag property and the owner does not qualify as a farmer.

Ms. Dickerson (mtr #572) - Interprets that the definition of a farmer only applies to CRP land. For property not in CRP, remains ag no matter who owns it based on the use.

Senator Wardner (mtr #628) - Question regarding land that is used half for CRP and half as pasture land, how would that be assessed?

Ms. Dickerson (mtr #668) - It is up to the county on how it is assessed.

Mike Donahue, United Sportsmen of ND (mtr #735) - Opposed the bill for reasons already stated.

Senator Urlacher (mtr #770) - Given no further testimony, closed the hearing on HB1219.

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1219

Senate Finance and Taxation Committee

Conference Committee

Hearing Date March 19, 2003

Tape Number	Side A	Side B	Meter #
1	X		1620-3990

Committee Clerk Signature *Mary Kay ...*

Minutes:

Senator Urlacher (mtr #1620) - Opened the discussion on HB1219. All committee members are present. Relates to the definition of agricultural property for property tax assessment and classification purposes. We have a formula that we have been following, this moves it into a price classification rather than a production classification. Is a question if we want to move out of the formula and into another direction.

Senator Wardner (mtr #1720) - The part that talks about the Ag land definition, feels that is a good part. Has a problem with part 2 on the second page, CRP, don't know how you would deal with that. I am not going to support the bill because of part 2. Otherwise I don't really see as a bad bill.

Senator Urlacher (mtr #1849) - Feels we are interfering with a willing buyer and a willing seller. Also concerned with the CRP provision. We don't do these things for business, why are we doing for Ag.

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Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number HB1219

Hearing Date March 19, 2003

Senator Wardner (mtr #1963) - Is concerned about the buyer closing off the land to all activity.

Not good for the land or the neighbors. The rest of the bill, if you don't want to pay the higher taxes, just need to rent it back to somebody, just make sure minimum activity takes place. The second part creates some problems.

Senator Urlacher (mtr #2086) - Feels the amount of land without usage is minimal.

Senator Tollefson (mtr #2216) - CRP has been the salvation of hunting in ND. Trying to designate that as a change of classification or change of usage. Talked about people from out of state buying land for recreational usage. Is there another place in the code that land is addressed for a change of usage and the tax does change.

Senator Wardner (mtr #2223) - Not sure, just know we have a definition of what a farmer is.

Senator Tollefson - Feels it does deserve a change in classification.

Senator Urlacher (mtr #2261) - Feels it does interfere with a willing buyer and a willing seller.

Senator Syverson (mtr #2271) - Is apprehensive about page 2, line 12, where the owner does not qualify as a farmer. Is rather broad. Gave example of the effect of CRP on a county.

Senator Nichols (mtr #2512) - Section 2 of the bill would take care of those types of situations.

But if purchased after 1992, could be taxed differently.

Senator Urlacher (mtr #2600) - CRP won't be around forever. Land will come out of there and have a different use.

Senator Wardner moved a Do Not Pass. Second by Senator Syverson.

Roll call vote 3 yea, 3 nay, 0 absent. Motion dies for lack of majority.

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Senator Nichols moved a Do Pass. Second by Senator Seymour.

General discussion held about the provisions of the bill and land valuation.

Roll call vote 2 yea, 4 nay, 0 absent.

Senator Wardner moves to pass the bill out of committee without a recommendation. Second by Senator Nichols. Roll call vote 5 yea, 1 nay, 0 absent. Carrier is Senator Wardner.

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Date: 3.19.03
Roll Call Vote #: 3

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1319

Senate Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken W/S Recommendation

Motion Made By Sen. Waddell Seconded By Sen. Nichols

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman		/	Senator Nichols	/	
Senator Wardner - Vice Chairman	/		Senator Seymour	/	
Senator Syverson	/				
Senator Tollefson	/				

Total (Yes) 5 No 1

Absent _____

Floor Assignment Sen. Waddell

If the vote is on an amendment, briefly indicate intent:

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Dorena Balleruth 10/2/03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
March 19, 2003 11:16 a.m.

Module No: SR-49-5173
Carrier: Wardner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HB 1219, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman)
recommends **BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION**
(5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed HB 1219 was placed on
the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-49-5173

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2003 TESTIMONY

HB 1219

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P.O. Box 2064
Fargo, ND 58107
701-298-2200 • 1-800-367-9668
Fax: 701-298-2210

State Headquarters:
4023 State St
P.O. Box 2793
Bismarck, ND 58502
701-224-0330 • 1-800-932-8869
Fax: 701-224-9485

North Dakota Farm Bureau

www.ndfb.org

House Agriculture Committee

January 23, 2003

Testimony by North Dakota Farm Bureau
presented by Sandy Clark, public policy team

Good morning, Mr. Chairman and members of the committee. For the record my name is Sandy Clark and I represent North Dakota Farm Bureau.

North Dakota Farm Bureau understands the problems created by outside buyers who are coming in to purchase ag land for hunting purposes and then letting the land lie idle.

However our policy opposes changing the land classification of these lands. There are so many idiosyncrasies that can occur with these lands that it will be difficult to determine all the exceptions that might occur through the years.

Absentee ownership and land laying idle is not in the best interest of agriculture, but the premise of private property rights ensures landowners the right to sell their land to whomever they choose and realize the greatest return on their investment when they have the opportunity to sell.

The agricultural economy and weather disasters have created another set of circumstances. You will recall the situation in the northeast area of the state a few years ago. Land was for sale, but there were no buyers and the land lay idle for a couple planting seasons. Some of that land was owned by absentee landowners and may, or may not, have been used for hunting. Does that situation automatically change the land classification?

One future. One voice.

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The people who are purchasing these lands strictly for hunting purposes obviously have above average income levels and can afford to purchase land simply for recreational purposes. These are intelligent, astute business people; they know how to make money. They are also discerning enough to know that they can lease this land back to local farmers and ranchers and realize an income from their property.

At the same time, unless the land is harvested, it will have little value as hunting ground over the long term. We predict that, in time, much of this land will be leased back to local ranchers and will revert back to agricultural use.

One year it will be ag use and the next year recreational. If we start using market value one year to determine property tax and the ag productivity formula the next for the same piece of land, this will be a dangerous precedent. Furthermore, this constantly changing land classification will be very confusing for the county tax directors.

Finally, those of us in agriculture know that land cannot just lie idle. Land must be cared for and managed. Within a short time, absentee landowners will learn that land needs a local caregiver and needs to be managed as agricultural land. If not, we will have problems with noxious weeds, fuel overload, trespass, cut fences, vandalism of their homes, and the list goes on.

Therefore, North Dakota Farm Bureau opposes HB 1219 and urges a no vote. Thank you for your consideration. I would be happy to entertain any questions you might have.

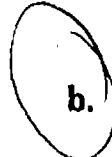
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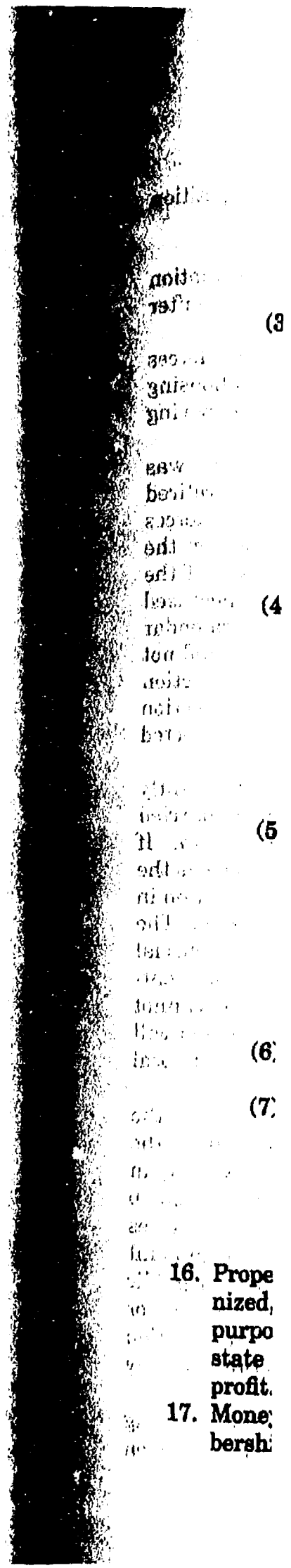
located on railroad operating property subject to assessment under chapter 57-05 is not exempt under this subsection. For purposes of this paragraph, "business other than farming" includes processing to produce a value-added physical or chemical change in an agricultural commodity beyond the ordinary handling of that commodity by a farmer prior to sale.

- (3) The following factors may not be considered in application of the exemption under this subsection:
 - (a) Whether the farmer grows or purchases feed for animals raised on the farm.
 - (b) Whether animals being raised on the farm are owned by the farmer.
 - (c) Whether the farm's replacement animals are produced on the farm.
 - (d) Whether the farmer is engaged in contract feeding of animals on the farm.



b. It is the intent of the legislative assembly that this exemption as applied to a residence must be strictly construed and interpreted to exempt only a residence that is situated on a farm and which is occupied or used by a person who is a farmer and that the exemption may not be applied to property which is occupied or used by a person who is not a farmer. For purposes of this subdivision:

- (1) "Farm" means a single tract or contiguous tracts of agricultural land containing a minimum of ten acres [4.05 hectares] and for which the farmer, actually farming the land or engaged in the raising of livestock or other similar operations normally associated with farming and ranching, has received annual net income from farming activities which is fifty percent or more of annual net income, including net income of a spouse if married, during any of the three preceding calendar years.
- (2) "Farmer" means an individual who normally devotes the major portion of time to the activities of producing products of the soil, poultry, livestock, or dairy farming in such products' unmanufactured state and has received annual net income from farming activities which is fifty percent or more of annual net income, including net income of a spouse if married, during any of the three preceding calendar years. "Farmer" includes a "retired farmer" who is retired because of illness or age and who at the time of retirement owned and occupied as a farmer the residence in which the person lives and for which the exemption is claimed. "Farmer" includes a "beginning farmer" who has begun occupancy and operation of a farm within the three preceding calendar years; who



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normally devotes the major portion of time to the activities of producing products of the soil, poultry, livestock, or dairy farming in such products' unmanufactured state; and who does not have a history of farm income from farm operation for each of the three preceding calendar years.

- (3) "Net income from farming activities" means taxable income from those activities as computed for income tax purposes pursuant to chapter 57-38 adjusted to include the following:
 - (a) The difference between gross sales price less expenses of sale and the amount reported for sales of agricultural products for which the farmer reported a capital gain.
 - (b) Interest expenses from farming activities which have been deducted in computing taxable income.
 - (c) Depreciation expenses from farming activities which have been deducted in computing taxable income.
 - (4) When exemption is claimed under this subdivision for a residence, the assessor may require that the occupant of the residence who it is claimed is a farmer provide to the assessor for the year or years specified by the assessor a written statement in which it is stated that fifty percent or more of the net income of that occupant, and spouse if married and both spouses occupy the residence, was, or was not, net income from farming activities.
 - (5) In addition to any of the provisions of this subsection or any other provision of law, a residence situated on agricultural land is not exempt for the year if it is occupied by an individual engaged in farming who had nonfarm income, including that of a spouse if married, of more than forty thousand dollars during each of the three preceding calendar years. This paragraph does not apply to a retired farmer or a beginning farmer as defined in paragraph 2.
 - (6) For purposes of this section, "livestock" includes "nontraditional livestock" as defined in section 36-01-00.1.
 - (7) A farmer operating a bed and breakfast facility in the farm residence occupied by that farmer is entitled to the exemption under this section for that residence if the farmer and the residence would qualify for exemption under this section except for the use of the residence as a bed and breakfast facility.
16. Property now owned, or hereafter acquired, by a corporation organized, or hereafter created, under the laws of this state for the purpose of promoting athletic and educational needs and uses at any state educational institution in this state, and not organized for profit.
 17. Moneys and credits, including shares of corporate stock and membership interests in limited liability companies, except moneyed

Exhibit B.

BARNES COUNTY LAND FOR SALE

Bids are invited upon the following lands, located in Edna Township, Barnes County, North Dakota to be sold as a single parcel:


The E1/2 of Section 4, less 2.01 acre exception, and the N1/2NW1/4 of Section 9 in T142N-R60W.

There are excellent white-tail deer hunting and bird habitat on this land. The property also contains a small gravel pit. Eight years remain on the existing CPR contract, generating \$2,500 per year.

Written bids will be accepted at the Walker Law Office, 674 15th Avenue SW, Valley City, ND 58072, until 4:00 PM on Monday March 10, 2003. Bids should be set forth the total offering price (not a "per acre" price), and must include a telephone number where the bidder may be contacted during business hours on Tuesday, March 11, 2003. The four (4) high bidders will be invited to orally raise their bids, in person, at the Walker Law Office at 11:00 AM on Wednesday, March 12, 2003. The property will be sold to the highest bidder, but in no event for less than \$108,500.00.

A standard-form Earnest Money Contract, requiring 10% of the bid price to be paid down, with balance in 30 days, shall be entered immediately upon the closing of bidding.

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Testimony of Keith Tasep

①

HB 1219
Senate Finance and Taxation Committee
March 12, 2003

Good morning Chairman Urlacher and members of the Senate Finance and Taxation Committee. It is a pleasure to appear before you this morning. I am here to express some concerns about HB 1219. While I sympathize with the underlying concerns that spawned this legislation, and while I believe it is time North Dakota looked at recreational lands in the overall context of our property tax structure, I don't believe progress will be made by passage of HB 1219. In fact, I believe the poorly understood implications of this bill will cause far more problems than will be solved. Reasons for these concerns will become clear as I and others comment about this bill.

**■ HISTORY OF PROPERTY TAX PAYMENTS BY NON PROFIT
CONSERVATION GROUPS**

- ▶ SB 2185, passed in 2001 Legislative session, required that non profits pay property taxes.
- ▶ Process completed by passage of SCR 4045 in 2001 Legislative session and subsequent passage of Measure #1 last fall.
- ▶ Vote on Measure #1 was close. There are a sizeable number of North Dakotans that don't think non profit conservation groups should pay property taxes.

HB 1219 IS NOT IN THE SPIRIT IN WHICH SB 2185 WAS PROMOTED.

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■ **TAX LAW AND POLICY CAN INFLUENCES LAND USE**

- ▶ Grassland is the most appropriate habitat type on many acres of land in North Dakota and also, in many cases, the most conducive to wildlife production.
- ▶ HB 1219 favors agricultural land use - current and past farm bills have favored cultivated agricultural land, even when that may not be the most sustainable land use.
- ▶ HB 1219 provides a disincentive for selecting anything other than the most lucrative agricultural use - cultivation. North Dakota might be better advised to consider a tax incentive (lower property taxes) for selecting the most appropriate rural land use or for setting land aside for wildlife production, open space or allowing public access and use.

○

■ **TAX LAW AND POLICY CAN AFFECT PERCEIVED VALUES**

- ▶ Much Legislative attention has been paid to the economic value of our natural resources, especially in regard to positive impact on our rural communities.
- ▶ HB 1219 penalizes governmental agencies, non profit groups and private landowners (non farmers and farmers) who engage in certain types of conservation practices or non use of rural lands, the very types of land use that promote wildlife production, provide access and, in general, draw people to our rural areas to enjoy our outdoor heritage.

○

HB 1219 SEEMS INCONSISTENT WITH APPARENT PUBLIC POLICY

I respectfully ask that you give HB 1219 a DO NOT PASS recommendation.

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③

CHAPTER 110

SENATE BILL NO. 2185
 (Senators Tomac, Stenehjem, Wardner)
 (Representatives Drovdal, Nelson, Schmidt)

PAYMENTS IN LIEU OF TAXES BY NONPROFIT ORGANIZATIONS

AN ACT to amend and reenact section 10-06.1-10 of the North Dakota Century Code, relating to payments in lieu of taxes on farmland or ranchland acquired by nonprofit organizations for conservation purposes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

⁵¹ **SECTION 1. AMENDMENT.** Section 10-06.1-10 of the North Dakota Century Code is amended and reenacted as follows:

10-06.1-10. Acquisition of certain farmland or ranchland by certain nonprofit organizations. A nonprofit organization may acquire farmland or ranchland only in accordance with the following:

1. Unless it is permitted to own farmland or ranchland under section 10-06.1-09, the nonprofit organization must have been either incorporated in this state or issued a certificate of authority to do business in this state before January 1, 1985, or, before January 1, 1987, have been incorporated in this state if the nonprofit organization was created or authorized under Public Law No. 99-294 [100 Stat. 418]. A nonprofit organization created or authorized under Public Law No. 99-294 [100 Stat. 418] may acquire no more than twelve thousand acres [4856.228 hectares] of land from interest derived from state, federal, and private sources held in its trust fund.
2. The land may be acquired only for the purpose of conserving natural areas and habitats for biota, and, after acquisition:
 - a. The land must be maintained and managed for the purpose of conserving natural area and habitat for biota.
 - b. Any agricultural use of the land is in accordance with the management of the land for conservation and agricultural use, and is by a sole proprietorship or partnership, or a corporation or limited liability company allowed to engage in farming or ranching under section 10-06.1-12.
 - c. If any parcel of the land is open to hunting, it must be open to hunting by the general public.

⁵¹ Section 10-06.1-10 was also amended by section 1 of House Bill No. 1053, chapter 111.

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- d. The nonprofit organization must fully comply with all state laws relating to the control of noxious and other weeds and insects.
- e. 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.
3. Before any farmland or ranchland may be purchased by any nonprofit organization for the purpose of conserving natural areas and habitats for biota, the governor must approve the proposed acquisition. A nonprofit organization that desires to purchase farmland or ranchland for the purpose of conserving natural areas and habitats for biota shall first submit a proposed acquisition plan to the agriculture commissioner who shall convene an advisory committee consisting of the director of the parks and recreation department, the state engineer, the commissioner of agriculture, the state forester, the director of the game and fish department, the president of the North Dakota farmers union, the president of the North Dakota farm bureau, and the manager of the Garrison Diversion Conservancy District for acquisition plans containing lands within the Garrison Diversion Conservancy District, or their designees. The advisory committee shall hold a public hearing with the board of county commissioners concerning the proposed acquisition plan and shall make recommendations to the governor within forty-five days after receipt of the proposed acquisition plan. The governor shall approve or disapprove any proposed acquisition plan, or any part thereof, within thirty days after receipt of the recommendations from the advisory committee.
4. Land acquired in accordance with this section may not be conveyed to the United States or any agency or instrumentality of the United States.
5. On failure to qualify to continue ownership under subsection 2, the land must be disposed of within five years of that failure to qualify.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable years beginning after December 31, 2000.

Approved March 14, 2001
Filed March 15, 2001

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CHAPTER 596**SENATE CONCURRENT RESOLUTION NO. 4045**

(Senators Tomac, Stenehjem, Wardner)
 (Representatives DeKrey, Nelson, Schmidt)

**TAXABLE STATUS OF LAND HELD FOR
CONSERVATION PURPOSES**

A concurrent resolution for the amendment of section 5 of article X of the Constitution of North Dakota, relating to the taxable status of land held for conservation or wildlife purposes; and to provide an effective date.

STATEMENT OF INTENT

This amendment eliminates the constitutional status of property tax exemption of land held for conservation or wildlife purposes and leaves to the Legislative Assembly the determination of whether those properties will be exempt from property taxes.

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

That the following proposed amendment to section 5 of article X of the Constitution of North Dakota is agreed to and must be submitted to the qualified electors of North Dakota at the general election to be held in 2002, in accordance with section 16 of article IV of the Constitution of North Dakota.

SECTION 1. AMENDMENT. Section 5 of article X of the Constitution of North Dakota is amended and reenacted as follows:

Section 5. Taxes shall be uniform upon the same class of property including franchises within the territorial limits of the authority levying the tax. The legislative assembly may by law exempt any or all classes of personal property from taxation and within the meaning of this section, fixtures, buildings and improvements of every character, whatsoever, upon land shall be deemed personal property. The property of the United States, to the extent immunity from taxation has not been waived by an act of Congress, property of the state, county, and municipal corporations, to the extent immunity from taxation has not been waived by an act of the legislative assembly, and property used exclusively for schools, religious, cemetery, charitable or other public purposes shall be exempt from taxation. Real property used for conservation or wildlife purposes is not exempt from taxation unless an exemption is provided by the legislative assembly. Except as restricted by this article, the legislative assembly may provide for raising revenue and fixing the situs of all property for the purpose of taxation. Provided that all taxes and exemptions in force when this amendment is adopted shall remain in force until otherwise provided by statute.

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Dorena G. Schultz
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SECTION 2. EFFECTIVE DATE. If approved by the voters, this measure becomes effective for taxable years beginning after December 31, 2002.

Filed April 2, 2001

NOTE: This will be measure No. 1 on the 2002 general election ballot.

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Constitutional Measure No. 1
 Taking Conservation Lands

County	Number of Precincts	Total Ballots Cast	YES	NO	Total Votes Cast
Adams	3	935	489	388	857
Barnes	23	5,035	2,397	2,217	4,614
Benson	8	1,955	1,093	699	1,792
Billings	4	550	278	233	511
Bottineau	15	3,002	1,487	1,292	2,779
Bowman	4	1,510	725	670	1,395
Burke	8	927	511	345	856
Burleigh	38	28,368	13,476	13,124	26,600
Cass	67	42,758	19,805	20,505	40,110
Cavalier	22	2,283	1,186	931	2,117
Dickey	3	2,381	1,121	1,064	2,185
Divide	6	1,133	603	433	1,036
Dunn	12	1,503	802	623	1,425
Eddy	6	1,158	624	436	1,080
Emmons	11	1,874	776	974	1,750
Foster	10	1,633	823	693	1,516
Golden Valley	5	863	391	387	778
Grand Forks	43	19,029	7,816	9,810	17,426
Grant	7	1,183	591	499	1,090
Griggs	7	1,299	701	518	1,219
Hettinger	3	1,511	748	665	1,413
Kidder	9	1,410	752	559	1,311
LaMoure	11	2,050	1,105	805	1,910
Logan	5	983	514	400	914
McHenry	11	2,610	1,420	1,047	2,467
McIntosh	6	1,733	833	765	1,598
McKenzie	17	2,423	1,324	906	2,230
McLean	16	4,202	2,179	1,768	3,947
Mercer	15	3,930	1,840	1,848	3,688
Morton	18	9,726	4,560	4,459	9,019
Mountrail	9	2,313	1,280	865	2,145
Nelson	7	1,752	930	679	1,609
Oliver	7	1,114	578	473	1,051
Pembina	14	3,265	1,370	1,629	2,999
Pierce	11	2,204	1,134	889	2,023
Ramsey	13	4,329	2,131	1,805	3,936
Ransom	7	2,110	1,122	863	1,985
Renville	5	1,217	703	434	1,137
Richland	22	6,851	3,346	2,979	6,325
Rolette	5	3,821	1,819	1,576	3,395
Sargent	6	2,084	1,193	739	1,932
Sheridan	6	929	508	368	876
Sisoua	9	764	376	292	670
Slope	6	469	236	200	436
Stark	16	8,044	3,721	3,693	7,414
Steele	5	1,012	556	403	959
Stutsman	18	8,439	4,110	3,639	7,749
Towner	3	1,376	773	495	1,268
Trail	13	3,398	1,592	1,535	3,127
Walton	18	4,357	1,994	1,840	3,934
Ward	32	18,397	8,975	8,284	17,259
Wells	6	2,132	1,158	844	2,000
Williams	18	6,884	3,180	3,083	6,271
Total	666	237,224	113,345	105,770	220,115

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"VARIETY IN HUNTING AND FISHING"

100 NORTH BISMARCK EXPRESSWAY BISMARCK, NORTH DAKOTA 58501-5095 PHONE 701-328-6300 FAX 701-328-6352

**North Dakota Game and Fish Department
Testimony on HB 1219**

The ND Game and Fish Department was not aware of the impact of HB 1219 when it was considered in the House. Now that we have reviewed the amended version that was passed on a fairly close vote in the House, we have to voice our concerns about it.

1. This bill will significantly increase the In Lieu of Tax payments made the North Dakota Game and Fish Department. The Department leases just over 100,000 acres mainly from the Corps of Engineers and Bureau of Reclamation. The Department owns about 85,000 acres. The 2002 in lieu of tax bill for these lands was approximately \$410,000. If HB 1219 passes, much of the Department's land would be reclassified as commercial property. It is estimated that the Department's tax bill would increase by 30-40%. If this happens, our appropriation bill should be increased by about \$300,000 for the 2003-2005 biennium for this. Note that on the Corp of Engineers and Bureau of Reclamation land, the combination of payments made by the federal agency and the Game and Fish Department, in most cases, significantly exceed the per acre tax payments made for similar privately owned land.

2. The Department has numerous agreements with private landowner to preserve wildlife habitat and to provide hunting access. A lot of this land is of marginal agricultural value. Under HB 1219 it would become commercial property and the private landowner would most likely end up paying higher taxes. This will negatively affect our habitat programs, especially when we are trying to expand these programs to meet public demand.

3. As a Game and Fish Department employee, I have pointed out the negative impacts on both the Department and private landowners who are involved with or might become part of one of our habitat programs. I must also point out that **this bill will cause a significant shifting of property taxes to private landowners who have their land enrolled in set aside programs relating to Red River Valley flood control, waterbank and other similar programs.** While HB 1219 does exempt some Conservation Reserve Program lands, a large amount of CRP land would not be exempt. HB 1219 is a very short, but complex and controversial bill. As it is researched and discussed, more and more problems surface. The Department requests that you do not pass it.

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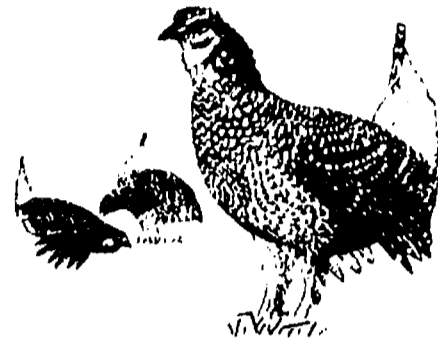
10/2/03
Date



North Dakota Chapter

THE WILDLIFE SOCIETY

P.O. BOX 1442 • BISMARCK, ND 58502



**TESTIMONY OF BILL PFEIFER
NORTH DAKOTA CHAPTER OF THE WILDLIFE SOCIETY
PRESENTED TO THE SENATE FINANCE AND TAXATION COMMITTEE
ON HB 1219, MARCH 12, 2003**

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I'm Bill Pfeifer speaking on behalf of the North Dakota Chapter of The Wildlife Society. The Wildlife Society opposes HB 1219.

HB 1219 has had major problems since it was introduced. During the hearing in the House, the prime sponsor stated the bill would need to be amended and rewritten. This was done, but the present version leaves more questions than it provides solutions.

What is the intent of this bill? Is it intended that the Game and Fish Department, which pays in lieu taxes on lands they manage, now be taxed as commercial property?

Is it intended that certain nonprofit conservation organizations who own agricultural land and have voluntarily paid in lieu taxes in the past now have their land classified as commercial property?

Is it intended that farmers who have agricultural lands, other than conservation reserve program lands, which are enrolled in land retirement programs, have their lands reclassified as commercial property? These would include the 54 landowners who have lands enrolled in the Wetland Reserve Program easements totaling 11,330 acres. How about the 86 landowners enrolled in the Emergency Watershed program easements along the Red River totaling 10,455 acres? These lands were purchased by FEMA and are not being farmed but would be taxed at the commercial rate. How about the 376 farmers who have enrolled lands totaling 34,726 acres in Federal Waterbank and also the State Waterbank lands with 61 farmers totaling 6,000 acres? How about wetlands? They're not

Dedicated to the wise use of all natural resources

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farmed or grazed. Would the farmer pay the commercial rate for these lands even though they cannot be used?

Would these landowners with these thousands of acres pay additional taxes because their land will have been reclassified as commercial property because they didn't raise agricultural crops or graze farm animals in at least one of the three consecutive preceding taxable years as required on page 2, lines 9 and 10? We don't think the farming community will support the additional tax payment requirements.

One program pays landowners 75 percent of the land valuation and the landowner retains ownership. Another program pays 100 percent of the land valuation and the landowner also retains ownership. An additional tax burden of this kind will certainly discourage landowners from participating in the mentioned land retirement programs in the future. This is contradictory to other bills being heard in this session.

Who is supposed to be penalized? The farmer? The sportsmen? Who?

It is evident that the passage of this bill will not be acceptable to many landowners and will discourage land retirement program participation in the future. Therefore, The Wildlife Society requests the committee bury this bill with a unanimous DO NOT PASS.

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March 12, 2003

Dear Chairman Senator Urlacher and Committee Members,

I urge you to vote NO on HB1219.

For the past twenty-one years, I have lived on a ranch at the foot of the Killdeer Mountains, where my husband and I, along with our children, operate a cow-calf operation. Since 1999 I have been a licensed real estate agent, working, mainly, with rural properties, farms and ranches, and the families that live there.

I believe HB1219 penalizes willing buyers and willing sellers. Although we're in a system of free enterprise, it becomes an issue of attempting to control somebody's assets because someone else doesn't like what's being done with them

There is a provision in this bill that will require CRP lands to be assessed as commercial property if the owner does not qualify as a "Farmer". It's not going to stop the non-farmers from buying land, but what it will do is reduce the price that a landowner stands to gain. Because in order allow the Buyer/Investor an adequate return on his money, *our North Dakota landowners will have to settle for less in order to compensate for the increased tax, that HB1219 imposes.*

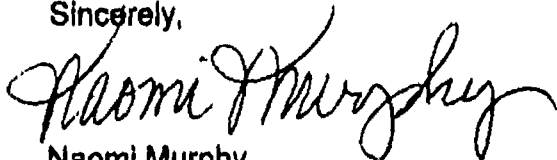
Last year, I worked with a family that had to relieve some of their financial burden. A North Dakota Buyer was willing to pay them a premium price for their property--he simply wanted a 5.5% return on his money. And he was willing to lease it back to the family at county average rates. The Sellers were able to satisfy the mortgage at the bank, pay off all outstanding bills, and have a little left over. Not enough for them to retire on, but enough to get a fresh start. As a result, a family stayed in the rural community, children stayed in the school, and a local carpenter has been hired to build a home for the Buyer.

HB1219 also includes a clause that allows this taxation to be retroactive, back to 1992. To vote in favor of a bill that gives the power to go back 10 years and require taxes, above and beyond what the taxation formula required at time of purchase, is not good business.

I urge you to reconsider the content of HB1219 -- please, don't allow it to be another roadblock that prohibits landowners in a struggling rural economy from capitalizing on their only appreciating asset.


Thank you for your time.

Sincerely,



Naomi Murphy
10929 3rd St. N.W.
Killdeer, North Dakota

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Cass County
WILDLIFE CLUB

Box 336
Casselton, ND 58012

**TESTIMONY OF HAROLD NEAMEYER
CASS COUNTY WILDLIFE CLUB
PRESENTED TO THE FINANCE AND TAXATION COMMITTEE
ON HB 1219, MARCH 12, 2003**

Mr. Chairman and Members of the Committee:

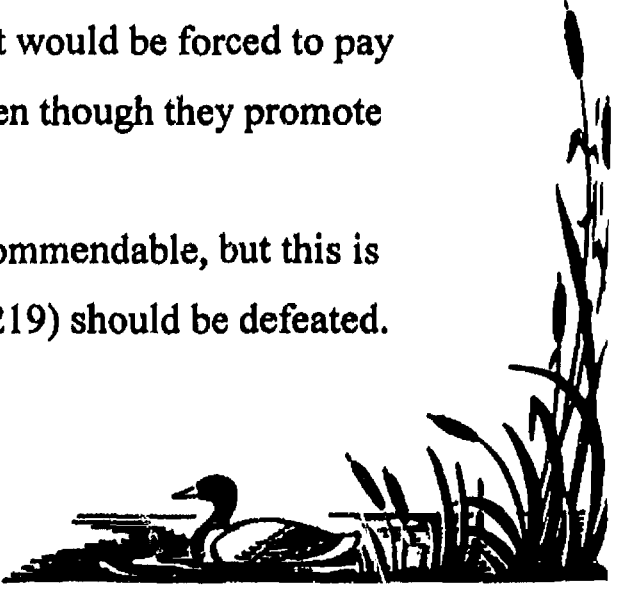
I am Harold Neameyer speaking on behalf of the Cass County Wildlife Club. The Cass County Wildlife Club is opposed to HB 1219. We oppose this bill because it adversely affects many landowners; especially the retired farmers who placed their entire land holdings in C.R.P. and moved to town.

In addition, it would penalize some very conservation minded land owners who do all they can to promote wildlife habitat by planting cover, trees and shrubs and develop food plots, but don't live on the farm.

There are many landowners who participate in a variety of state and federal programs that will be negatively affected for being proactive for wildlife.

The North Dakota Game and Fish Department would be forced to pay a higher tax rate, as would other public agencies, even though they promote conservation and wildlife habitat.

The original intent of this bill was probably commendable, but this is not the bill that accomplishes its intent. This bill (1219) should be defeated.



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SENATE FINANCE AND TAXATION COMMITTEE

March 12, 2003

Testimony of Marcy Dickerson, State Supervisor of Assessments

HOUSE BILL NO. 1219

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed by the State Tax Commissioner as State Supervisor of Assessments. My testimony concerns House Bill 1219.

I think the word "primarily" on line 7 of page 1 and on line 8 of page 2 should be defined. How is primary use determined -- by time or by revenue received? For example, assume a parcel of land on which a farmer grows a crop. The farmer also uses that parcel as a hunting preserve in the fall. The land is used to grow the crop for more months than it is used for hunting. Is growing the crop the primary use? If the farmer gets more revenue from the hunters than he does from the crop, is operating a hunting preserve the primary use?

The language beginning on line 5 of page 2 may have unintended results. Land owned by a nonprofit organization for conservation purposes under § 10-06.1-10(2)(e), the State Game & Fish Department under § 57-02.1-02, the North Dakota National Guard under § 37-07.3-04, or the Board of University and School Lands under § 57-02.3-02 may be subject to assessment as commercial property. All of those entities are required to make payments in lieu of taxes calculated as if the land were subject to property taxes. At this time, their land is valued as agricultural land. If it is valued as commercial property, it must be valued at market value.

We estimate nonprofit organizations' in-lieu payments on land held for conservation purposes may increase by about \$4,800 per year; Board of University and School Lands in-lieu payments may increase by about \$4,100 per year; North Dakota Game and Fish Department in-

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HB 1219
Testimony of Marcy Dickerson
March 12, 2003
Page 2

lieu payments may increase by about \$217,000 per year; and North Dakota National Guard in-lieu payments may increase by about \$1,300 per year. These estimates are based on statistics from the 2002 North Dakota Assessment Sales Ratio Study for the counties in which those entities have land.

Under HB 1219, CRP land belonging to a person who, in order to make a living, has to seek off-farm employment that makes him ineligible for a farm residence exemption, will be subject to assessment as commercial property.

Assessment of land as commercial property instead of agricultural land will usually, though not always, result in higher property taxes. The 2002 Sales Ratio Study shows the statewide median ratio for agricultural land is 72.4 percent of market value. Individual counties' ratios range from 46.4 percent to 107.5 percent, but only three counties' agricultural assessments are over 100 percent of market value. If the market value of property is equal to its agricultural value, the property tax will be the same whether the property is assessed as commercial or agricultural property. If the market value is higher or lower, commercial classification will result in higher or lower property taxes.

This concludes my prepared testimony. I will be happy to try to answer any questions.

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