

2023 HOUSE FINANCE AND TAXATION

HB 1248

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1248
1/16/2023

A bill for an act to provide for a legislative management study of restructuring the taxation of residential and commercial property.

Chairman Headland opened the hearing at 9:37AM.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. No members absent.

Discussion Topics:

- Tax on square footage
- Study of property tax formula

Representative Motschenbacher introduced the bill in support (#13336 and #13882).

Dustin Gawrylow, Managing Director with North Dakota Watchdog Network, testified in support (#13347).

Carol Two-Eagle, Founder and Head of Indian Maid Products in North Dakota, testified verbally in support.

Additional written testimony:

Michael Connelly, Bismarck, testimony in support #13411.

Chairman Headland closed the hearing at 9:57AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1248
1/18/2023

A bill for an act to provide for a legislative management study of restructuring the taxation of residential and commercial property.

Chairman Headland opened the meeting at 3:14PM.

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

Discussion Topics:

- Committee vote

Committee discussion.

Representative Dockter moved a Do Pass.

Representative Toman seconded the motion.

Roll call vote:

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

Motion carried 10-2-2

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Representative Hatlestad is the bill carrier.

Meeting adjourned at 3:19PM.

Mary Brucker, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1248: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO PASS** (10 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING). HB 1248 was placed on the Eleventh order on the calendar.

2023 SENATE FINANCE AND TAXATION

HB 1248

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1248
3/6/2023

A BILL for an Act to provide for a legislative management study of restructuring the taxation of residential and commercial property.

10:15 AM Chairman Kannianen opens hearing.

Senator Present: **Kannianen, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Bill introduction
- Property tax
- Mill evaluation

10:15 AM Representative Motschenbacher introduced bill. #22264 #22266 #22267

Additional written testimony:

Dustin Gawrylow #22065

10:22 AM Chairman Kannianen adjourns hearing.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1248
3/6/2023

A BILL for an Act to provide for a legislative management study of restructuring the taxation of residential and commercial property.

11:57 AM Chairman Kannianen opened hearing.

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

Discussion Topics:

- Home improvement
- Square footage

12:06 PM Senator Weber moved Do Pass.

12:06 PM Senator Magrum seconded.

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

Motion failed 2-4-0

12:07 PM Senator Rummel moved Do Not Pass.

12:07 PM Senator Piepkorn seconded.Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	N
Senator Jeffery J. Magrum	N
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Motion passed 4-2-0

12:09 PM Senator Rummel will carry.

12:11 PM Chairman Kannianen adjourns meeting.

Nathan Liesen, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1248: Finance and Taxation Committee (Sen. Kannianen, Chairman) recommends **DO NOT PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1248 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

TESTIMONY

HB 1248

Thank you, Chairman Headland and members of the House Finance and Tax committee. For the record, my name is Mike Motschenbacher, District 47 representative.

HB 1248 is to consider a study to change the property tax formula and to consider removing the variables of valuation and mills, and instead change it to a tax based on size of a business or residential lot and size of the structure on that lot.

The bill I had drafted that I agreed to turn into a study would have taken the entire tax base of a county, and then divided it by the total square footage of all the property in that county, separated into two categories, commercial and residential. Once that is determined it would be split 66.6% commercial, and 33.4% residential. It would then take the entire square footage of all commercial property, take all the square footage of all residential property, and then determine what total dollar amount would be needed from both commercial and residential property to equal the entire current tax base of the county in the current year. That would determine the per square foot cost of both residential and commercial property. It sounds complicated, but the counties have all that information already, and all it would take would be a little math to determine what that square footage cost would be. After this is determined, each taxing entity, cities, counties, parks, and schools would get an automatic 3% increase annually. Not only does this allow taxpayers to know a decade in advance what their property tax will be in ten years, it also allows taxing entities to easily determine their budgets for years to come. They also would benefit from any growth in the city. I believe this is a win-win situation for everyone. In addition to changing the formula and having an automatic increase each year, the bill would have allowed the voters by initiated measure to adjust the 3% annual increase up or down. Granted, the citizens would have to know that by reducing that number, they run the risk of losing services.

I'm assuming that every single one of us elected officials in this room has been approached by constituents stating we need to do something about property taxes. We have spent over 7 billion dollars over the past several years, and if you look at your property tax statements, I think we all have to agree that all the property tax relief the legislature has passed over the past several years has not accomplished what we all had hoped it would, and it's time to provide true property tax reform for our citizens.

I have attached an excel spreadsheet to my online testimony and have passed it out to the committee. This is an example of the problem we are facing. It is a three-year history of property taxes in one neighborhood in Bismarck. Of the 25 homes on this spreadsheet, 24 of the 25 received a valuation decrease between 2019 and 2020. The 25th home did not make any improvements to their property in 2019. So why did 24 of the 25 homes receive a decrease in valuation and only one did not? Between 2020-2021, 17 of the homes had a valuation increase, while 8 had a valuation decrease. In speaking to some of the owners of these homes, I asked if they had made any improvements to affect their valuations. Most said no. However, two of the homes that had valuation decreases made significant improvements. My point behind this is that there is no uniformity in our current valuation process. I did this same research in another neighborhood in Bismarck and found comparable results.

We must face the fact that our system is broken, and we owe it to the taxpayers to at least study property taxes and see if changing the formula of taxation will benefit everyone.

I would ask you to support HB 1248 and would stand for any questions.

HB 1248 – Testimony by Dustin Gawrylow (Lobbyist #266) North Dakota Watchdog Network

Mr. Chairman,

House Bill 1248 has the potential to be a great vehicle for a comprehensive property tax study in the next interim.

As you know, for many years in my role as a taxpayer advocate, I have supported created changes and studies of the property tax system.

In 2017, in my personal capacity, I was appointed by former Bismarck Mayor Mike Seminary to the Special Assessment Task Force to study making changes at the local level. Without getting too far in the weeds today, our task force members would be able to tell you many stories about how difficult it is to try to change the property tax and special assessment process – even when everyone in the room agrees with the goal.

After speaking to Representative Motschenbacher about his intent with this bill, I understand what he is trying to do and offer up the following amendments to the bill in order to improve its chances of being supported and adopted:

During the 2023-24 interim, the legislative management shall consider studying the feasibility and desirability of replacing the current property tax structure. ~~applicable to residential and commercial property with a price per square foot taxation method based on the amount levied in the previous taxable year, adjusted annually to allow for an increase in the price per square foot.~~

The study must include a review of the current property tax system for residential and commercial property, the function of the equalization and abatement process under the proposed new taxation method, the process for determining taxing district budgets, implementation and administration of the new taxation method and the impact on taxpayers, and a review of other states that calculate property tax on a price per square foot basis.

The study must determine whether local governments are using a uniform approach to calculating automatic valuations in-between physical assessments – and determine the feasibility and desirability of a statewide valuation reporting system.

The study shall seek the expertise of both political subdivision staff involved in the tax assessment process, as well as input from citizens who have previously been appointed to study these issues at the local level.

The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly

This suggestion removes a specific policy end-point from the study, and adds policy evaluation goals.

Thank you for your consideration on this matter.

HB 1248 – Testimony by Michael Connelly, Citizen of Bismarck ND

Mr. Chairman,

I have been very active in local level political policy advocacy and believe that North Dakota must keep their drive for being innovative at the taxation level alive. Much of this has to do with the sustainability of our Constitutional Republic and our capitalistic financial structure.

Currently there are some trends that can compromise the foundation of both because they rely on individual property ownership of property. Both national and international companies like the Black Rock investment group, Haven Park, and others are starting to upset some of the stability of private ownership of property. It is for this reason that I believe HB 1248 should be a focus during the legislative interim as a study. If running the numbers along with amendment considerations give North Dakota some insight on how we can better serve our citizens, then our legislative process is working as it is designed.

For decades now there has been a desire by many citizens to look for ways that North Dakota can move away from property taxes to another form of a revenue vehicle. As ideas are presented the one thing that the legislature should explore is the feasibility of ideas presented. Not through the rejection of said ideas but defining the differences one way or the other with specific examples why they would or would not work and why. I am confident this drive for looking at the possibilities will help North Dakota remain a leader to talk on the challenges of the future versus merely positioning ourselves to react to them as problems arise.

Sincerely,

Mike Connelly

House number	2019	2020	Gain/Loss	2021	Gain/Loss
2905	\$282,600.00	\$278,400.00	-\$4,200.00	\$295,500.00	\$17,100.00
2906	\$333,300.00	\$328,300.00	-\$5,000.00	\$321,000.00	-\$7,300.00
2911	\$325,600.00	\$320,700.00	-\$4,900.00	\$316,200.00	-\$4,500.00
2912	\$350,900.00	\$345,600.00	-\$5,300.00	\$319,300.00	-\$26,300.00
2917	\$278,500.00	\$274,300.00	-\$4,200.00	\$268,900.00	-\$5,400.00
2920	\$364,100.00	\$358,600.00	-\$5,500.00	\$357,400.00	-\$1,200.00
2923	\$323,300.00	\$318,500.00	-\$4,800.00	\$303,800.00	-\$14,700.00
2929	\$241,000.00	\$237,400.00	-\$3,600.00	\$277,800.00	\$40,400.00
2932	\$304,000.00	\$299,400.00	-\$4,600.00	\$266,200.00	-\$33,200.00
2937	\$312,800.00	\$308,100.00	-\$4,700.00	\$328,800.00	\$20,700.00
2940	\$318,400.00	\$313,600.00	-\$4,800.00	\$333,900.00	\$20,300.00
2945	\$267,400.00	\$263,400.00	-\$4,000.00	\$269,300.00	\$5,900.00
2955	\$283,100.00	\$278,900.00	-\$4,200.00	\$296,000.00	\$17,100.00
2956	\$355,100.00	\$349,800.00	-\$5,300.00	\$321,800.00	-\$28,000.00
2963	\$313,400.00	\$282,100.00	-\$31,300.00	\$309,100.00	\$27,000.00
3000	\$369,200.00	\$328,400.00	-\$40,800.00	\$344,400.00	\$16,000.00
3003	\$374,300.00	\$353,800.00	-\$20,500.00	\$370,900.00	\$17,100.00
3006	\$387,800.00	\$376,300.00	-\$11,500.00	\$380,100.00	\$3,800.00
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3018	\$371,100.00	\$324,700.00	-\$46,400.00	\$340,400.00	\$15,700.00
3021	\$323,200.00	\$299,800.00	-\$23,400.00	\$324,900.00	\$25,100.00
3028	\$331,000.00	\$307,000.00	-\$24,000.00	\$321,700.00	\$14,700.00
3029	\$299,400.00	\$305,300.00	\$5,900.00	\$335,100.00	\$29,800.00
Totals	\$8,196,000.00	\$7,857,600.00	-\$338,400.00	\$8,059,600.00	\$202,000.00

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Thank you for your consideration on this matter.



North Dakota House of Representatives

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Representative Mike Motschenbacher

District 47
2905 Remuda Drive
Bismarck, ND 58503-0103
mmotschenbacher@ndlegis.gov

COMMITTEES:
Finance and Taxation
Political Subdivisions

3/1/2023

Thank you, Chairman Kannianen and members of the Senate Finance and Tax committee. For the record, my name is Mike Motschenbacher, District 47 representative. HB 1248 is to consider a study to change the property tax formula and to consider removing the variables of valuation and mills, and instead change it to a tax based on size of a business or residential lot and size of the structure on that lot. The bill I had drafted that I agreed to turn into a study would have taken the entire tax base of a county, and then divided it by the total square footage of all the property in that county, separated into two categories, commercial and residential. Once that is determined it would be split commercial and residential based on the same split you have today under current formulas. It would then take the entire square footage of all commercial property, take all the square footage of all residential property, and then determine what total dollar amount would be needed from both commercial and residential property to equal the entire current tax base of the county in the current year. That would determine the per square foot cost of both residential and commercial property. It sounds complicated, but the counties have all that information already, and all it would take would be a little math to determine what that square footage cost would be. As you can see in the testimony, I've included Bismarck and Mandan who already have provided this information for me using the formulas. After this is determined, each taxing entity, cities, counties, parks, and schools would get an automatic 3% increase annually. Not only does this allow taxpayers to know a decade in advance what their property tax will be in ten years, it also allows taxing entities to easily determine their budgets for years to come. They also would benefit from any growth in the city. I believe this is a win-win situation for everyone. In addition to changing the formula and having an automatic increase each year, the bill would have allowed the voters by initiated measure to adjust the 3% annual increase up or down. Granted, the citizens would have to know that by reducing that number, they run the risk of losing services. I'm assuming that every single one of us elected officials in this room has been approached by constituents stating we need to do something about property taxes. We have spent over 7 billion dollars over the past several years buying down property taxes, and if you look at your property tax statements, I think we all have to agree that all the property tax relief the legislature has passed over the past several years has not accomplished what we all had hoped it would, and it's time to provide true property tax reform for our citizens. I have attached an excel spreadsheet to my online testimony and have passed it out to the committee. This is an example of the problem we are facing.

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Working Property Tax Formula

Tax Per Sq Ft Calculation		
<i>Amt to be Raised</i>	<i>Taxable Sq Ft</i>	<i>Tax Per Sq Ft</i>
\$7,375,727	\ 114,965,394	= \$0.064

Amt Raised by Property Tax			
Commercial	Residential	Ag/Vacant Land	Total Raised
3,290,209	+ 2,439,041	+ 1,646,476	= \$7,375,727

Commercial		
<i>Lot Sq Ft</i>	<i>Modifier</i>	<i>Taxable Sq Ft</i>
51,284,466	x 1.00	= 51,284,466
<i>Taxable Sq ft</i>	<i>Tax Per Sq Ft</i>	<i>Tax Revenue</i>
51,284,466	x \$0.064	= \$3,290,209.41

Residential		
<i>Lot Sq Ft</i>	<i>Modifier</i>	<i>Taxable Sq Ft</i>
76,034,626	x 0.50	= 38,017,313
<i>Taxable Sq ft</i>	<i>Tax Per Sq Ft</i>	<i>Tax Revenue</i>
38,017,313	x \$0.064	= \$2,439,041.11

Total Nonexempt Sq Ft: 229,973,552
 Exempt Sq Ft: 135,159,798

Ag or Vacant		
<i>Lot Sq Ft</i>	<i>Modifier</i>	<i>Taxable Sq Ft</i>
102,654,460	x 0.25	= 25,663,615
<i>Taxable Sq ft</i>	<i>Tax Per Sq Ft</i>	<i>Tax Revenue</i>
25,663,614.920	x \$0.064	= 1,646,476.48

Mandan

Working Property Tax Formula

Tax Per Sq Ft Calculation		
<i>Amt to be Raised</i>	<i>Taxable Sq Ft</i>	<i>Tax Per Sq Ft</i>
\$35,874,325	/ 449,634,509	= \$0.080

Amt Raised by Property Tax			
Commercial	Residential	Ag/Vacant Land	Total Raised
25,200,156	+ 8,208,588	+ 2,465,581	= \$35,874,325

Commercial		
<i>Lot Sq Ft</i>	<i>Modifier</i>	<i>Taxable Sq Ft</i>
315,848,724	x 1.00	= 315,848,724
<i>Taxable Sq ft</i>	<i>Tax Per Sq Ft</i>	<i>Tax Revenue</i>
315,848,724	x \$0.080	= \$25,200,156

Residential		
<i>Lot Sq Ft</i>	<i>Modifier</i>	<i>Taxable Sq Ft</i>
205,766,353	x 0.50	= 102,883,176
<i>Taxable Sq ft</i>	<i>Tax Per Sq Ft</i>	<i>Tax Revenue</i>
102,883,176	x \$0.080	= \$8,208,588

Total Nonexempt Sq Ft: 645,225,513
 Exempt Sq Ft: 185,620,014

Ag or Vacant		
<i>Lot Sq Ft</i>	<i>Modifier</i>	<i>Taxable Sq Ft</i>
123,610,437	x 0.25	= 30,902,609
<i>Taxable Sq ft</i>	<i>Tax Per Sq Ft</i>	<i>Tax Revenue</i>
30,902,609	x \$0.080	= 2,465,581

Bismarck

House number	2019	2020	Gain/Loss	2021	Gain/Loss
2905	\$282,600.00	\$278,400.00	-\$4,200.00	\$295,500.00	\$17,100.00
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3029	\$299,400.00	\$305,300.00	\$5,900.00	\$335,100.00	\$29,800.00
Totals	\$8,196,000.00	\$7,857,600.00	-\$338,400.00	\$8,059,600.00	\$202,000.00

23.0628.01001

Sixty-eighth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1248

Introduced by

Representatives Motschenbacher, Fisher, Headland, Heinert, Jonas, Klemin, Longmuir,
Louser, Meier

Senator Dwyer

1 | A BILL for an Act to amend and reenact section 57-20-04 of the North Dakota Century Code,
2 | relating to the determination of property tax per taxable square foot; to provide for a legislative
3 | management study of restructuring the taxation of residential and commercial property; and to
4 | provide for a legislative management report.

5 | **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 | **SECTION 1. AMENDMENT.** Section 57-20-04 of the North Dakota Century Code is
7 | amended and reenacted as follows:

8 | **57-20-04. Abstract of tax list to be sent to tax commissioner - Determination of tax per**
9 | **taxable square foot - Reports.**

- 10 | 1. The county auditor, on or before December thirty-first following the levy of the taxes,
11 | shall prepare and transmit to the tax commissioner a complete abstract of the tax list
12 | of the auditor's county.
- 13 | 2. In addition to the tax list required in subsection 1, the county auditor, on or before
14 | December thirty-first following the levy of the taxes, shall prepare and transmit to the
15 | tax commissioner a report providing each taxing district's property valuation and
16 | property tax levy and any other information the tax commissioner deems necessary to
17 | prepare the report required in subsection 3. For taxing districts with property in more
18 | than one county, information must be collected and transmitted by the county auditor
19 | of the county in which the main office of that taxing district is located.
- 20 | 3. The tax commissioner shall compile information received from the county auditors in
21 | subsection 2 and prepare a statewide report of property tax increase. The report must
22 | include the annual increase in property taxes levied by each taxing district of the state
23 | after adjusting for property that was not taxable in the preceding year and property that

- 1 is no longer taxable which was taxable in the preceding year. The report must be
2 provided to the legislative management by April first of each year.
- 3 4. a. The county auditor, on or before December thirty-first, shall prepare and transmit
4 to the tax commissioner a report providing:
- 5 (1) The total taxable square footage of taxable property in the county for the
6 current taxable year. The county auditor shall calculate the taxable square
7 footage of each parcel of taxable property by multiplying the square footage
8 of the taxable property, excluding any structures situated on the property, by
9 the applicable modifier. For purposes of this paragraph, the county auditor
10 shall apply the following modifiers to each corresponding category of
11 taxable property:
- 12 (a) For commercial property except property included in subparagraph e,
13 one hundred percent.
- 14 (b) For centrally assessed property, one hundred percent.
- 15 (c) For residential property, fifty percent.
- 16 (d) For agricultural property, twenty-five percent.
- 17 (e) For commercial property considered to be a vacant lot, twenty-five
18 percent.
- 19 (2) The amount of tax per taxable square foot of property in the county,
20 calculated by dividing the tax levied in the current taxable year by the total
21 taxable square footage of taxable property in the county calculated in
22 paragraph 1.
- 23 (3) For each parcel of taxable property in the county for the current taxable
24 year, data comparing:
- 25 (a) The property tax levied against the parcel in dollars; and
- 26 (b) The amount calculated by multiplying the taxable square footage of
27 the parcel as provided in paragraph 1 by the amount of tax per
28 taxable square foot calculated in paragraph 2.
- 29 b. The tax commissioner shall compile the information from reports received under
30 this subsection. On or before January fifteenth, the tax commissioner shall
31 provide a summary of the compiled information to the legislative management.

1 ~~5. The tax commissioner shall prescribe the form and manner of providing the reports~~
2 ~~and certifications required under this section.~~

3 ~~5. On or before December 31, 2017, the county auditor shall provide a report to the tax~~
4 ~~commissioner providing the information identified in subsection 2 for the 2015 and~~
5 ~~2016 tax years.~~

6 **SECTION 2. LEGISLATIVE MANAGEMENT STUDY - RESIDENTIAL AND COMMERCIAL**
7 **PROPERTY TAX RESTRUCTURING.**

8 1. During the 2023-24 interim, the legislative management shall consider studying the
9 feasibility and desirability of development of a proposed transition plan for replacing the
10 current property tax structure applicable to residential and commercial property with a
11 price per square foot taxation method based on the amount levied in the previous
12 taxable year, adjusted annually to allow for an increase in the price per square foot.

13 ~~The study~~

14 2. If a property tax by square foot working group is established, upon request of the
15 legislative management the working group shall report its progress and findings. The
16 membership of the working group may include:

17 a. At least one representative of the counties as selected by the North Dakota
18 association of counties;

19 b. At least one representative of the cities as selected by the North Dakota league
20 of cities;

21 c. At least one representative of the school boards as selected by the North Dakota
22 school boards association;

23 d. At least one representative of the park districts as selected by the North Dakota
24 recreation and park association;

25 e. At least one representative of the townships as selected by the North Dakota
26 township officers association executive board;

27 f. At least one representative of the rural fire protection districts as selected by the
28 North Dakota firefighter's association;

29 g. At least one representative of the rural ambulance service districts as selected by
30 the North Dakota emergency medical services association;

31 h. The tax commissioner, or the tax commissioner's designee; and

- 1 i. One member of the house of representatives and one member of the senate
2 appointed by the legislative management.
- 3 3. The proposed transition plan must include a review of the current property tax
4 system timeline for transitioning to the new taxation method and a plan for
5 implementation and administration of the new taxation method, including consideration
6 of the appropriate annual limitation on the increase of tax per square foot of taxable
7 property, the function of the equalization and abatement process under the proposed
8 new taxation method, and the process for determining taxing district budgets,
9 implementation and administration of the new taxation method and the impact on
10 taxpayers, and a review of other states that calculate property tax on a price per
11 square foot basis. The study also must include consideration of the data reported
12 under section 57-20-04 and the feasibility and desirability of implementing the
13 proposed transition plan.
- 14 4. The legislative management shall report its findings and recommendations, together
15 with any legislation required to implement the recommendations, to the sixty-ninth
16 legislative assembly.

23.0628.01001
Title.

Prepared by the Legislative Council staff for
Representative Toman
February 28, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1248

Page 1, line 1, after "to" insert "amend and reenact section 57-20-04 of the North Dakota Century Code, relating to the determination of property tax per taxable square foot; to"

Page 1, line 1, remove "of restructuring the taxation of"

Page 1, line 2, replace "residential and commercial property" with "; and to provide for a legislative management report"

Page 1, after line 3, insert:

"SECTION 1. AMENDMENT. Section 57-20-04 of the North Dakota Century Code is amended and reenacted as follows:

57-20-04. Abstract of tax list to be sent to tax commissioner - Determination of tax per taxable square foot - Reports.

1. The county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a complete abstract of the tax list of the auditor's county.
2. In addition to the tax list required in subsection 1, the county auditor, on or before December thirty-first following the levy of the taxes, shall prepare and transmit to the tax commissioner a report providing each taxing district's property valuation and property tax levy and any other information the tax commissioner deems necessary to prepare the report required in subsection 3. For taxing districts with property in more than one county, information must be collected and transmitted by the county auditor of the county in which the main office of that taxing district is located.
3. The tax commissioner shall compile information received from the county auditors in subsection 2 and prepare a statewide report of property tax increase. The report must include the annual increase in property taxes levied by each taxing district of the state after adjusting for property that was not taxable in the preceding year and property that is no longer taxable which was taxable in the preceding year. The report must be provided to the legislative management by April first of each year.
4. a. The county auditor, on or before December thirty-first, shall prepare and transmit to the tax commissioner a report providing:
 - (1) The total taxable square footage of taxable property in the county for the current taxable year. The county auditor shall calculate the taxable square footage of each parcel of taxable property by multiplying the square footage of the taxable property, excluding any structures situated on the property, by the applicable modifier. For purposes of this paragraph, the county auditor shall apply the following modifiers to each corresponding category of taxable property:

- (a) For commercial property except property included in subparagraph e, one hundred percent.
 - (b) For centrally assessed property, one hundred percent.
 - (c) For residential property, fifty percent.
 - (d) For agricultural property, twenty-five percent.
 - (e) For commercial property considered to be a vacant lot, twenty-five percent.
- (2) The amount of tax per taxable square foot of property in the county, calculated by dividing the tax levied in the current taxable year by the total taxable square footage of taxable property in the county calculated in paragraph 1.
- (3) For each parcel of taxable property in the county for the current taxable year, data comparing:
- (a) The property tax levied against the parcel in dollars; and
 - (b) The amount calculated by multiplying the taxable square footage of the parcel as provided in paragraph 1 by the amount of tax per taxable square foot calculated in paragraph 2.
- b. The tax commissioner shall compile the information from reports received under this subsection. On or before January fifteenth, the tax commissioner shall provide a summary of the compiled information to the legislative management.
5. The tax commissioner shall prescribe the form and manner of providing the reports and certifications required under this section.
- ~~5. On or before December 31, 2017, the county auditor shall provide a report to the tax commissioner providing the information identified in subsection 2 for the 2015 and 2016 tax years."~~

Page 1, line 4, remove "**RESIDENTIAL AND COMMERCIAL**"

Page 1, line 5, after the boldfaced period insert:

"1."

Page 1, line 6, replace "feasibility and desirability of" with "development of a proposed transition plan for"

Page 1, line 7, remove "applicable to residential and commercial property"

Page 1, line 9, replace "The study" with:

- "2. If a property tax by square foot working group is established, upon request of the legislative management the working group shall report its progress and findings. The membership of the working group may include:
 - a. At least one representative of the counties as selected by the North Dakota association of counties;

- b. At least one representative of the cities as selected by the North Dakota league of cities;
- c. At least one representative of the school boards as selected by the North Dakota school boards association;
- d. At least one representative of the park districts as selected by the North Dakota recreation and park association;
- e. At least one representative of the townships as selected by the North Dakota township officers association executive board;
- f. At least one representative of the rural fire protection districts as selected by the North Dakota firefighter's association;
- g. At least one representative of the rural ambulance service districts as selected by the North Dakota emergency medical services association;
- h. The tax commissioner, or the tax commissioner's designee; and
- i. One member of the house of representatives and one member of the senate appointed by the legislative management.

3. The proposed transition plan"

Page 1, line 9, remove "review of the current property"

Page 1, line 10, replace "tax system" with "timeline for transitioning to the new taxation method and a plan for implementation and administration of the new taxation method, including consideration of the appropriate annual limitation on the increase of tax per square foot of taxable property"

Page 1, line 11, after the comma insert "and"

Page 1, line 12, remove ", implementation and administration of the new taxation method and the"

Page 1, remove line 13

Page 1, line 14, remove "square foot basis"

Page 1, line 14, after the period insert "The study also must include consideration of the data reported under section 57-20-04 and the feasibility and desirability of implementing the proposed transition plan."

4."

Renumber accordingly