

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2425

2001 SENATE FINANCE AND TAXATION

SB 2425

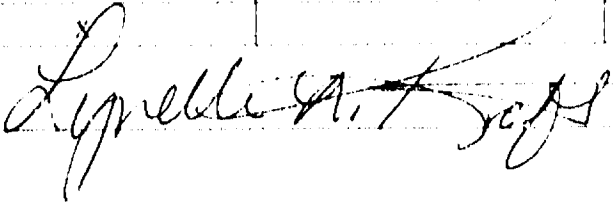
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2425

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 2/7/01

Tape Number	Side A	Side B	Meter #
1	x		47.1-end
		x	0-46.9
2/14/01 - 1	x		0-13
Committee Clerk Signature			

Minutes:

Senator Urlacher: Opened the hearing on SB 2425, relating to a property tax exemption for certain assisted living facilities.

Senator Russ Thane: Co-sponsored the bill, testified in support. Written testimony attached.

Shelly Peterson: ND Long Term Care Assoc., testified in support. Written testimony attached. Also provided handout.

Brigid Steele: St. Catherine's Living Center in Wahpeton, testified in support. Provided handout and explains it. We are proposed an assisted living facility.

Senator Wardner: What assistance would the residents get for the \$850?

Brigid Steele: Because the facility would be attached to St. Catherine's they would have the 24-hour emergency call system, a meal a day, housekeeping services, and a menu of services they could choose from after that as their needs grow. The heating and everything is included.

Senator Christmann: Are the figures correct for the taxes on your handout?

Brigid Steele: It's correct. It's a little over \$2,000 a year in taxes for each apartment. According to Wahpeton's formula.

Senator Christmann: What's the value of the facility today?

Brigid Steele: 3.1 million.

Senator Wardner: Is it in the city of Wahpeton? Are you dealing with the city or the county?

Brigid Steele: I approached the city and filled out the application for tax exemption, it was denied-it was forwarded to the state level for review. The denial was based on the fact that we weren't a charitable organization.

Senator Kroepelin: What percent of the building would be used for common areas?

Brigid Steele: About 36% with congregate dining rooms, laundry facilities, exercise facilities, family rooms, kitchens.

Senator Christmann: Do your county or city commissioners recognize that they can give you this tax break?

Brigid Steele: The issue we're dealing with is the school superintendent. I guess the ruling is that before they consider any tax relief, they have to go before the school board and the school board will not allow it.

Senator Christmann: I believe the school board only has a recommendation on it.

Brigid Steele: It appears to me they have taken their recommendation a lot stronger than mine.

Rick Clayburgh: State Tax Commissioner, testified neutrally. Gives some history of previously legislation. We have been working on this issue. I'm also here as a member of the State Board of Equalization. If an assisted living center is connected to a nursing home, and the nursing home is a nonprofit organization, and the living center was operated by the nonprofit and treated as a nonprofit, then there would be the extension of the exemption for nursing facilities to that

living assisted living facility. The issue the Board of Equalization is facing deals with a situation where a nonprofit is operated by a for-profit organization. It is the opinion of the Tax Dept. and I believe in also the Attorney General's opinion then that the exemption does not flow to that nonprofit. The State Board of Equalization is asking for clarification on this issue.

Senator Christmann: If they're connected to a nonprofit nursing home, and they run the assisted living center in a nonprofit way, they would qualify for the exemption?

Rick Clayburgh: They would have to act as nonprofit such as the nursing home under current law.

Senator Christmann: They could be separated facilities?

Rick Clayburgh: No, they have to be physically connected.

Senator Wardner: Does this piece of legislation mandate?

Rick Clayburgh: Yes, it would be a mandatory exemption. Explains more.

Shelby Wolf: Assisted Medicaid Director, testified neutrally. Provided some information.

Rick Clayburgh: There is not an ownership clause in this legislation, it's on how the facility is operated.

Ben Hushka: Fargo City Assessor, testified in opposition. Explains historical perspective in how the assessors have administered the assessment of these properties.

Jerry Lingen: Riverview Place in Fargo, testified in support. At the time we were built, it was very new to our area and state. Explained history of facility. Explained their property taxes. We are a stand alone facility so we don't qualify for the exemption.

Senator Wardner: Are you a nonprofit organization?

Jerry Lingen: Yes.

Senator Wardner: What's your occupancy?

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Senate Finance and Taxation Committee

Bill/Resolution Number ~~2424~~ 2425

Hearing Date 2/7/01

Jerry Lingen: Normally full, with a short waiting list right now.

Senator Wardner: What's the income range of your residents?

Jerry Lingen: \$25,000-\$27,000 is needed. They generally pay \$600-\$900 a month depending on need.

Albert Wolf: Wheeler Wolf Law Firm on behalf of Benedictine Living Communities in ND, testified in support. Written testimony and letter attached.

Bev Nielson: School Boards Assoc., testified in opposition. Not because of state's assistance for elderly living, but we feel that should come through the Human Services Dept., not through shrinking the amount of taxable property there is in community because that's where they raise 55% cost of education. This could be a loss of taxable property where something else could've been built which would have been taxable income for the school systems, cities, and counties.

Mark Johnson: ND Assoc. Of Counties, testified in opposition. Written testimony attached.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion 2/14/01. Meter number 0-13.

Terry Traynor: ND Assoc. Of Counties. We recognize the importance of assisted living facilities but we feel there is a mechanism in place. If this is a value to the state as a whole, we would rather see a funding mechanism like homestead tax.

Senator Christmann: Tax Commissioner said that the State Board of Equalization was allowing these if they're operated as a nonprofit?

Terry Traynor: If they're recognized as an extension and they have nonprofit status, the State Board has just extended the traditional property tax exemption to them and there is no reimbursement to the county.

Senator Christmann: Would your organization object to that?

Terry Traynor: They are exempted under state law. We aren't proposing that we go back and start taking the exemptions away, we just hate to see it expanded.

Senator Christmann: What's different about this then what we're doing?

Terry Traynor: I assumed that it's an expansion.

Senator Wardner: Does it affect nonprofit?

Terry Traynor: That's my understanding.

John Walstad: The organization that owns the facility has to be a 501C3 for federal income tax purposes, and their use of the property has to be charitable. This bill extends that concept, not to the operation, but the ownership. The ownership here, would not have to be a charitable organization.

Senator Urlacher: Would this build more uniformity?

John Walstad: It would apply state wide.

Senator Christmann: If we adopted this, when it gets plugged into 57-02-08, is that a list of things that are exempt or that the commissioners may exempt?

John Walstad: They would be exempt.

COMMITTEE ACTION:

Motion made by Senator Wardner for a DO NOT PASS, Seconded by Senator

Stenehjem. Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator Wardner.

FISCAL NOTE
 Requested by Legislative Council
 01/30/2001

Bill/Resolution No.: SB 2425

Amendment to:

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 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.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 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.*

There is no change in overall revenues for the state or its political subdivisions.

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 Department
Phone Number:	328-3402	Date Prepared:	02/06/2001

Date: 2/14/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2425

Senate Finance and Taxation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Wardner Seconded By Stenehjem

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin	✓				
Senator Nichols	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Wardner

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

REPORT OF STANDING COMMITTEE (410)
February 14, 2001 1:26 p.m.

Module No: SR-27-3355
Carrier: Wardner
Insert L.C: . Title: .

REPORT OF STANDING COMMITTEE

SB 2425: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends DO NOT PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2425 was placed on the Eleventh order on the calendar.

2001 TESTIMONY

SB 2425

TESTIMONY ON SENATE BILL 2425
PREPARED BY SENATOR THANE

Mr. Chairman, members of the Senate Finance and Taxation Committee, for the record, I'm Senator Thane representing the 25th District, which includes Wahpeton and part of Richland County.

This bill adds a new subsection to the North Dakota Century Code, that exempts property from taxation. The new subsection exempts property operated as an assisted living facility as defined in NDCC 50-24.5-01 and which is operated on a non-profit basis. It establishes an effective date, which is taxable in the years beginning after December 31, 2000. The definition section defines assisted living in detail, and includes housing, congregate meals, personal care, supervision, safety, medication services, transportation services, and etc..

There is more to this bill than the technical aspects. Over a period of many years, our state, through legislative, department, and public action, has arrived at what I believe is now public policy. That public policy is a continuum of care for our elderly, our frail elderly, and those

who need skilled nursing care. This policy calls for us to have in place, a system providing the least restrictive environment, and a high quality of care. That care ranges from home based care to basic care, than to assisted living, and finally to skilled nursing care. Assisted living is an intergal part of that continuum and needs to be addressed.

Several years ago, I chaired a Steering Committee to explore the feasibility of a facility connected with St. Catherine's Living Center. We toured several facilities on the Minnesota side - some were only functional and low in price, some were very nice and very expensive. The position the Steering Committee took, at that time, was that a facility would meet the needs of those with modest retirement income and that no one should be turned out because of loss of ability to pay. Plans were developed, a capital fundraising plan was organized and difficulties began. Under existing law, efforts to obtain a tax exempt status met with negative results. In order for us and other not-for-profit homes to seriously consider assisted living, we vitally need this status.

The changing demographics of our state, the growing numbers of elderly, and the aging of the baby-boomers demand that we provide for them. This publication Demographic Challenges for Elderly Care in North Dakota ,by Richard Rathge, spells out what is ahead.

Please consider positive action on this bill and a "Do Pass." Thank you!

