

# MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

1381

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Dennis Hall*  
Operator's Signature

10/3/03  
Date

2003 HOUSE FINANCE AND TAXATION

HB 1381

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hall  
Operator's Signature

10/3/03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1381

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 28, 2003

Tape Number	Side A	Side B	Meter #
1	X		1
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

**REP. WESLEY BELTER, CHAIRMAN** Called the hearing to order.

**REP. LONNY WINRICH, DIST. 18,** Introduced the bill. See attached written testimony plus income tax ranges for North Dakota and various other states. Also attached is a copy of "Matters at Hand: Musings of a tax crank".

**REP. BELTER** When you say the bill is revenue neutral, you are saying there should be a decrease in property tax, equivalent to the revenue raise here?

**REP. WINRICH** Yes

**REP. WEILER** Stated there would be a guarantee that the income taxes would go up, but there is no guarantee that property taxes would go down?

**REP. WINRICH** That is correct. That is an important consideration. In thinking about this bill and trying to figure out what to do with it when I put it in, I had to come to the conclusion that the record of the legislature in attempting to control property taxes across the state, has not

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Deanna Hall*  
Operator's Signature

10/3/03  
Date

Page 2  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1381  
Hearing Date January 28, 2003

been a record of great success. We have levy limits on almost all of the local subdivisions. Gave an example of the counties whose general levy limit right now is 34 mills. If you look at the testimony which was submitted in connection with the consolidation of county mill levies, a bill we heard earlier, twenty three of our fifty three counties are already over that 34 mills. They assessed mill rates in excess of the normal limit. In the bill concerning the three school districts in Richland County, which we heard earlier, one of those school districts is over the normal 185 mill limit. The levy limits have continually demanded attention from the legislature to grant special exemptions. We have a number of counties and school districts that have given those exemptions and simply, don't live within the statutory levy limit. We need to recognize that there has to be a cooperative effort between the state and the local subdivisions. I view this bill as a sort of, tentative first step in that direction. If the school districts respond, as I think we have told them they should, in this bill, and reduce property taxes accordingly, then, I think there is some chance for success. If property taxes remain at the same level, then I suspect in two years, the legislature will retaliate and we will have tried and failed. I think that is better than not trying at all. We have to depend on the judgement of these local governing officials to act responsibly, within the authority granted under the constitution and the statutes.

**REP. OLE AARSVOLD, DIST. 20**, Testified in support as a co-sponsor of the bill. He stated he served fifteen years on the school board and sixteen years in this legislature, and has had a chance to follow the income tax structure as a state, and the property tax structure locally. He stated there was a time when that tax structure was progressive and equitable. He submitted a handout which illustrates two tax paying families. See copy attached. The tax comparisons were related to two families from the same school districts which have comparable incomes, however,

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Donna Hall Smith*  
Operator's Signature

10/3/03  
Date

Page 3  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1381  
Hearing Date January 28, 2003

they have different assets. Note the difference in property tax obligations. The mill levies were left out, because we don't pay taxes with mill levies, we pay them with dollars.

**REP. GROSZ TO REP. WINRICH** Stated that Minnesota had tried this a couple of years ago, and wondered if anyone knew what the results of that was.

**REP. WINRICH** Stated that he had heard from people in East Grand Forks, that there had been, in the past, a comprehensive system in Minnesota. His understanding from the news stories is that the new governor is retreating from that position. He stated he did not know any direct results from the previous program. He stated the conventional wisdom of cities on the eastern border of North Dakota, is that if you have a relatively high income, relative to the size house that you need, or something like that, possibly all the children are gone, don't need a very big house or anything, those people are better off in North Dakota, because the income taxes are so low, but the property taxes are relatively high. If you are in the opposite situation and you have a lot of children, need a big house, lots of property, but have relatively low income, in your middle years, then you are better off in Minnesota, because you get a much better property tax break there.

**SANDY CLARK, REPRESENTING THE NORTH DAKOTA FARM BUREAU** Testified in support of the bill. The farm bureau vigorously supports the passage and concept of this bill. This bill will go a long ways to provide actual funding education through a combination of property taxes and income taxes. At one time, property represented wealth. That is no longer true today. We no longer have the same basis we had several years ago when the funding mechanism was put into place. School districts receive the largest share of property taxes and ag landowners do pay the largest share of property taxes, consequently, farmers and ranchers carry

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Hallworth  
Operator's Signature

10/3/03  
Date

Page 4  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1381  
Hearing Date January 28, 2003

the greatest share of the school tax burden. We talk about where the property is, maybe we should be talking about, where the income is. By and large, those schools districts with high valuations and high property taxes, have fewer students and less gross income. At the same time, the majority of the students are located in the urban areas that have less property but have higher income levels. Along with this philosophy, you eliminate the mill levy deduct. We realize that equity and equality are two different things, however, we have spent a long time crying about equity in the distribution of funding for education, but this bill does address the real problem of providing equality in where the funds are generated.

**REP. WEILER** I understand this is supposed to be a revenue neutral bill, with \$95,000 increase in property taxes, would you feel similar about this bill, if it forced the property taxes to go down, but we said we don't know if the income taxes will go up?

**SANDY CLARK** We would be very happy to see property taxes go down. On the other hand, where would this funding come from if not from some mechanism.

**GRANT JOHNSON, FARMER, FROM ALMONT, ND** Testified in support of the bill. See attached written testimony.

**DEAN BARD ON BEHALF OF NORTH DAKOTA SMALL ORGANIZED SCHOOLS**

Testified in support of the bill. Submitted a handout titled "Legislative Program 2003", see attached copy. North Dakota school districts rely heavily on the property taxes for income. This has been manifested in a number of different ways. The recent court case which dealt with the question of whether or not our method of funding education was constitutional or not, is the evidence of that fact. Related to the handout regarding taxation and funding, it is their belief that seventy percent of the cost of education should be met by a foundation aid program. That has

*Deanna Hall Smith*  
Operator's Signature

10/3/03  
Date

Page 5  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1381  
Hearing Date January 28, 2003

continually slid downwards, until we are down to forty six or forty seven percent now. The remainder has to come from other sources, which includes local taxation. There are situations where school districts exceed the 185 mill levy requirement, and they do that through either the specified levy or an unlimited levy. It is done legally, but if it becomes hurtful, it is the surrounding community's concern. It has been our intent for a long time, that other types of methods of exacting taxes should be brought into the mix. We should be looking at the matter of wealth, as it pertains to income. The the back page of the pamphlet, we have adopted something that deals with that. This bill would bring us closer to that type of system.

**REP. IVERSON** I am concerned what you mean about wealth, are you talking about raiding 401 K's?

**DEAN BARD** Oh no, 401 K's are exempt. It deals with income. We have differences with different areas of the state where there are large sources of income, generally, that is in the more settled areas of our state, as opposed to the rural areas, where we don't have that kind of income. That is why, all kinds of income should be brought into the picture.

**REP. HEADLAND** Without language specifically directing school districts to offset their increase in foundation aid for property taxes, do you see the school district that might be up against the limit today, lowering their property taxes, to make this offset even, when they probably have more wants then needs in their school?

**DEAN BARD** As I read the bill, that thought came to mind. Yes, there are instances where that could happen. That certainly is not what the bill contemplates taking place though. If you are concerned about that, you could put language in that would correct that. Make sure the money is filtered back to the patrons of that district.

*Deanna Hallworth*  
Operator's Signature

10/3/03  
Date

Page 6  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1381  
Hearing Date January 28, 2003

**NANCY SAND, REPRESENTING THE NORTH DAKOTA EDUCATION**

**ASSOCIATION**, Testified in support of the bill. She stated they have supported measures that would provide more of a responsibility at the state level for funding education. For that reason, they are in support of the bill. In the early 80's, there were measures relating to that. At that time, the state support for education turned to foundation aid, and tuition apportionment, in particular, that has dropped considerably since that time. The burden has been placed on the local tax dollars. There is a difference on that evaluation across the state. There is some indication, if there isn't some action in this legislature, that there may be another lawsuit. I don't know what the outcome of that would be, but perhaps, a bill like this, would indicate that there is some type of legislation to equalize the burden throughout the state.

**REP. GROSZ** Have you or your organization done a trend analysis on the number of students that are enrolled in our public institutions compared to the increase in property taxes?

**NANCY SAND** I want to say no, because I don't understand your question or the purpose behind it.

**REP. GROSZ** I am looking at this from a different perspective. I am looking at the expense side. Is there a way we could control it from the other side. I believe foundation aid payments have gone up every year, property taxes have gone up every year, and our student population has decreased, I am looking at that side of the equation.

**NANCY SAND** The last legislature did make a bold move in trying to make some adjustments. Foundation aid goes out based on the number of students. If your student enrollment goes down, even though there may be an increase in foundation aid, at some places, because of the trend of enrollment, the reverse would be true if the enrollment goes up, however, there is a factor that we

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hall  
Operator's Signature

10/3/03  
Date



Page 7

House Finance and Taxation Committee

Bill/Resolution Number HB 1381

Hearing Date January 28, 2003

could take either the current enrollment, or the previous year enrollment, and take the record across the state. In 1991, the change that you made, amending the compensation reimbursement program for teachers, provided money to school districts based on the numbers of teachers.

Some school districts, if you have a lower class size with a larger number of teachers, gained some, those that have larger class sizes, some of those districts claimed they would have gotten more money in foundation aid. When the session finished in 2001, there was a provision made to hold harmless payment, however, that was contingent on any left over foundation aid. She stated a senate bill was introduced which will solve the problem in that the "hold harmless" payment, is to be funded.

**REP. GROSZ** Has there been any trend analysis on the cost to educate students, compared to the increase in foundation aid payments and property tax income per student as compared to inflation?

**NANCY SAND** Stated they have not done that.

**MARY WAHL, REPRESENTING THE NORTH DAKOTA COUNCIL OF**

**EDUCATIONAL LEADERS** Testified in support of the bill. In order to improve equity in funding in North Dakota, the NDCEL supports legislation that will fund the current finance formula with provisions for increased cost of educating children that will increase the per people payment to fund seven hundred the first year and two thousand the second year, with the statutory index for inflation that will provide the seventy percent funding for cost of education, as defined by current law. The goal of this bill is to increase state funding for elementary and secondary schools, so that the amount of funding that comes from the state as compared to how much is burdened what the property taxes will increase.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Dan Hall*  
Operator's Signature

10/3/03  
Date

Page 8  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1381  
Hearing Date January 28, 2003

**REP. BELTER** My concern is, that if this would pass, and the people in the legislature expect property taxes to be reduced by the equivalent amount of revenue, then we will have a situation where property taxes, because of the fluctuation of income taxes, property taxes will then fluctuate from year to year, to make up the difference.

**DONNITA WALD, LEGAL STAFF OF THE STATE TAX DEPARTMENT** Testified in a neutral position. Addressed an issue which Rep. Winrich raised. The \$90 million in the fiscal note, is based on this biennium levy forecast, and we will do whatever it takes to make it revenue neutral, if that is your goal. She stated they could raise the rates another one percent, so it would be about a twenty two percent increase, or you can lower the appropriations \$90 million dollars. With no further testimony, the hearing was closed.

**COMMITTEE ACTION** 2-3-03, Tape #1, Side A, Meter # 39

**REP. WINRICH** Presented amendments to committee members. The intention is to make the bill revenue neutral. They are replacing \$95,000,000 with \$90,000,000 in order to conform to the fiscal note. Page 5, line 22 is an attempt to address the concerns of those that wanted more assurance of a decrease in property taxes.

**REP. GROSZ** questioned whether this would create problems for future bienniums.

**REP. NICHOLAS** Questioned whether this will help the mill levy deduct.

**REP. DROVDAL** Gave a report of past sessions regarding foundation aid and mill levy deduct.

**REP. WINRICH** Made a motion to adopt the amendments as presented.

**REP. SCHMIDT** Second the motion. Motion carried by voice vote.

**REP. CLARK** Made a motion for a **DO NOT PASS AS AMENDED.**

**REP. IVERSON** Second the motion. **MOTION CARRIED**

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Donna Wald*  
Operator's Signature

10/3/03  
Date

Page 9  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1381  
Hearing Date January 28, 2003

**COMMITTEE ACTION CONT'D. 2-3-03**

**8 YES                      5 NO                      1 ABSENT**

**REP. IVERSON** Was given the floor assignment.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hall  
Operator's Signature

10/3/03  
Date

**FISCAL NOTE**  
Requested by Legislative Council  
02/05/2003

Amendment to: HB 1381

**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			\$90,000,000			
Expenditures						
Appropriations			\$90,000,000			

**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.

Engrossed HB 1381 increases all individual income tax rates approx. 21%. If enacted, this will result in an increase in state general fund revenues of approx. \$90 million for the 2003-05 biennium. Section 3 of Engrossed HB 1381 appropriates \$90 million to DPI for foundation aid enhancement. The bill requires a reduction in school district property taxes equal to the appropriated amount.

**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.

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Dept.
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/05/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Dennis Hall*  
Operator's Signature

10/3/03  
Date

**FISCAL NOTE**  
Requested by Legislative Council  
01/20/2003

Bill/Resolution No.: HB 1381

**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			\$90,000,000			
Expenditures						
Appropriations			\$95,000,000			

**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.

HB 1381 increases all individual income tax rates approx. 21%. If enacted, this will result in an increase in state general fund revenues of approx. \$90 million for the 2003-05 biennium. Section 3 of HB 1381 appropriates \$95 million to DPI for foundation aid enhancement. It is unknown if there will be a corresponding reduction in school district property taxes.

**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:	01/27/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

  
Operator's Signature

10/3/03  
Date

Date: 2-3-03  
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1381

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 30484. 0101

Action Taken Do Not Pass as amended

Motion Made By Rep. Clark Seconded By Rep. Iverson

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR	✓				
CLARK	✓				
FROELICH		✓			
GROSZ	✓				
HEADLAND	✓				
IVERSON	✓				
KELSH	A				
KLEIN		✓			
NICHOLAS		✓			
SCHMIDT		✓			
WEILER	✓				
WIKENHEISER	✓				
WINRICH		✓			

Total (Yes) 8 No 5

Absent 1

Floor Assignment Rep. Iverson

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

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Hallworth  
Operator's Signature

10/3/03  
Date

REPORT OF STANDING COMMITTEE (410)  
February 4, 2003 8:26 a.m.

Module No: HR-21-1576  
Carrier: Iverson  
Insert LC: 30484.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

**HB 1381: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1381 was placed on the Sixth order on the calendar.**

Page 5, line 15, replace "\$95,000,000" with "\$90,000,000"

Page 5, line 17, after "enhancements" insert "In two equal annual installments"

Page 5, after line 22, insert:

"For purposes of section 57-15-31, the amount estimated to be received by a school district under this section in the taxable year must be considered estimated revenues from sources other than direct property taxes and must be deducted from estimated expenditures to determine the maximum property tax levy for the school district."

Renumber accordingly

2003 TESTIMONY

HB 1381

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Halliwell  
Operator's Signature

10/3/03  
Date



## **TESTIMONY IN SUPPORT OF HB 1381**

**Before the House Committee on Finance and Taxation  
Rep. Lonny Winrich, District 18  
January 28, 2003**


Chairman Belter and fellow members of the Finance and Tax Committee, for the record, I am Rep. Lonny Winrich from District 18 in Grand Forks and I am before you this morning as the prime sponsor of HB 1381. HB 1381 would address a persistent problem that has demanded the attention of this committee repeatedly in my three sessions in the legislature. That problem is the high level of property taxes in North Dakota.

In this session, we have already seen a number of bills that would address the problem by making slight adjustments in the assessment formula for agricultural land, by juggling some of the levy limitations previously enacted into code, or by creating special exemptions from the levy limits or the property taxes that address a special situation. The Senate is wrestling with an even more threatening problem in that it has the potential of having the Legislature ordered to do something by the Supreme Court. This bill would address the problem directly by shifting a portion of the tax burden currently born by the property tax to the personal income tax.

North Dakota's income tax is very low. Per capita, citizens of North Dakota pay less in income tax than do citizens in 40 of the other 42 states that levy income taxes. The two states that rank lower than North Dakota only levy income tax on "unearned income", i.e., dividends and interest only. HB 1381 would raise the income tax rates across the board by about 20%. For those who still like to think in terms of our old income tax rates, this would be approximately equal to raising the income tax from 14% to 17% of federal tax liability.

Doing so would not make North Dakota a high-tax state. Attached to my testimony is a table showing the proposed new tax rates for each income range in North Dakota Law. Also shown are the rates that apply in those income ranges in some other states. Note that in almost all income ranges, the tax rates in North Dakota would remain lower than they are in other states.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

  
Operator's Signature

10/3/03  
Date

The increased revenue, \$95,000,000, would be appropriated to the Department of Public Instruction for distribution to the school districts in the same proportions as foundation aid grants. The bill also contains a clear statement of legislative intent that these funds are for property tax relief and to increase the state's support of public education.

Finally, I have attached a copy of the January 26, 2003 "Matters at Hand" column by Mike Jacobs, Editor of the Grand Forks Herald. Mr. Jacobs characterizes himself as a "tax crank" but goes on to reason that HB 1381 is the right way to address the problem of high property taxes in North Dakota.

Mr. Chairman and members of the Committee, HB 1381 is revenue neutral tax reform, it is not a tax increase. It has bipartisan and grass roots support and I urge you to give it your favorable consideration.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hallmark  
Operator's Signature

10/3/03  
Date

GrandForks.com

Posted on Sun, Jan. 26, 2003

**MATTERS AT HAND: Musings of a tax crank**

By Mike Jacobs

It's not surprising that taxes take up so much time at the Legislature and at public meetings to talk about legislation. Everybody pays taxes, and almost nobody likes to.

I'm something of a tax crank myself, since it seems to me that taxes are at the heart of public policy. If you want to understand a society's values, you should understand its tax system.

North Dakota's system often is described as a tricycle involving income and sales taxes, collected by the state, and property taxes, collected by local governments. This is an apt description, especially since there's always one big wheel on a tricycle and two smaller ones. In the case of North Dakota's tax system, the big wheel in front is the property tax. Income and sales taxes are the smaller, rear wheels. Lately, the front wheel has been getting bigger, while the small wheels stay the same size.

This legislative session is considering a number of changes. A couple of these are substantial and deserve attention. One is the idea of repealing the income tax and raising and broadening the sales tax. State Sen. Randy Schobinger, R-Minot, has advanced this idea. Another is to raise the income tax and lower the property tax. Rep. Lonny Winrich, D-Grand Forks, has introduced a bill to accomplish this.

Of these alternatives, the second is better policy, especially because Winrich's bill addresses a serious problem facing the state, the growing gap between rich and poor school districts. This results in unequal educational opportunity and is the subject of a pending lawsuit.

The way to make funding more equal among school districts is to move away from the property tax. The income tax is the most attractive alternative, for four reasons. First, it reflects ability to pay. Second, it is easy to collect. Third, it responds immediately to individual circumstances. If a person's income falls, so does the tax owed. Finally, the income tax is low as it stands. It could be raised without serious consequence to any taxpayer.

With the property tax, the situation is quite different. It bears little relationship to ability to pay, falling most heavily on people with fixed incomes. It is an inflexible tax that doesn't decline if a person's income goes down. It's hard to administer and it's subject to interpretation by local officials. This results in varying values, and varying amounts of tax, for similar property in different jurisdictions. What's more, the tax can be raised easily without actually raising rates because local officials change assessed values. Finally, the property tax is a hidden tax. Although we all pay it, through rents and prices we pay for goods and services, not all of us see a bill.

The main argument in favor of repealing the income tax, especially on corporate profits, is that it would be a powerful tool to attract new business to the state. It's possible that the corporate tax discourages some businesses, but the problem is not the tax itself, but the way it is expressed. North Dakota expresses its tax as a percentage of the federal tax rate. This takes a minute or two to explain, and by the time the explanation is made, the deal may be lost. The way to fix this problem is to de-couple the tax, however, and not to repeal it, because the repeal would mean continuing high property taxes and higher sales taxes.

[http://www.grandforks.com/mid/grandforks/news/columnists/mike\\_jacobs/5036800.htm?t...](http://www.grandforks.com/mid/grandforks/news/columnists/mike_jacobs/5036800.htm?t...) 1/26/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

Date

Everybody pays the sales tax, but it falls most heavily on those who spend the greatest percentage of their money on basics. That's why it's called a regressive tax. Local property taxes are already very high. That's a problem for existing businesses who pay them regardless of their own success and for potential business owners, who see the property tax as a fixed cost that's greater in North Dakota than surrounding states.

The best course, for residents and potential businesses, is a lower property tax rate

At least that's how it looks to this tax crank.

---

*Jacobs is editor of the Herald.*

---

© 2001 grandforks and wire service sources. All Rights Reserved.  
<http://www.grandforks.com>

[http://www.grandforks.com/mld/grandforks/news/columnists/mike\\_jacobs/5036800.htm?t...](http://www.grandforks.com/mld/grandforks/news/columnists/mike_jacobs/5036800.htm?t...) 1/26/2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Dennis Hall*  
Operator's Signature

10/3/03  
Date

**HB 1381—Rep. Lonny Winrich, District 18**

This table shows the income ranges defined in North Dakota Law for the personal income tax, the proposed rates of taxation for each of those ranges under HB 1381, and the range of rates that apply to each income range in selected other states. Source of information is State and Local Taxes, An Overview and Comparative Guide, 2002 (The Red Book) published by the North Dakota Tax Commissioner.

	0 to \$27,050	\$27,050 to \$65,550	\$65,550 to \$136,750	\$136,750 to \$297,350	Greater than \$297,350
ND	2.54%	4.74%	5.25%	6.1%	6.7%
MN	5.35-7.05%	7.05-7.85%	7.85%	7.85%	7.85%
MT	2.0-8.0%	8.0-10.0%	10.0-11.0%	11.0%	11.0%
IA	0.36-6.8%	6.8-8.98%	8.98%	8.98%	8.98%
WI	4.6-6.5%	6.5%	6.5-6.75%	6.75%	6.75%
GA	1.0-6.0%	6.0%	6.0%	6.0%	6.0%
MS	3.0-5.0%	5.0%	5.0%	5.0%	5.0%
OK	0.5-6.75%	6.75%	6.75%	6.75%	6.75%
SC	2.5-7.0%	7.0%	7.0%	7.0%	7.0%
VA	2.0-5.75%	5.75%	5.75%	5.75%	5.75%

Note that the income ranges used are those defined in statute. They will differ slightly from the income ranges that appear in North Dakota tax forms because of the indexing done each year by the Tax Commissioner.

This micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Operator's Signature

*Lonny Winrich*

10/3/03  
Date

Tax Comparison  
Trail County  
2002 Tax Year

Rep. Oarsuold  
HB 1381

Tax Payer #1

Full parcels of real estate	#		
True + full value -		136,532	
Total taxes		2,893	
County + City		1,301	45%
School		1,358	47%
Park		228	8%
State		6	-

Tax Payer #2

Full parcels of real estate			
True + full value -		468,832	
Total taxes		8,483	
County + Township		3,237	38%
School		5,110	61%
Fire		113	1%
State		23	-

No special assessments  
Same school district  
Outstanding bonds apply to all parcels  
Very similar net incomes  
Very similar net worth but different assets  
Very similar sales + income tax obligations.

Rep. Ole Oarsuold  
District 20

Deanna Hallworth  
Operator's Signature

10/3/03  
Date

January 28, 2003

HB 1381

Chairman Belter and members of the Finance and Taxation Committee:

My name is Grant Johnson. I farm and ranch with my father north of Almont, ND. I would like to testify in favor of this bill.

For many years, farmers have felt the unfair burden of property taxes. This bill seems to be a step in the right direction in making taxation more equitable for all people in North Dakota.

It has been reported that over the past several years there has been no sales or income tax increase in North Dakota. Unfortunately, this has not applied to property tax, as we have personally experienced our property tax increasing from 1992 to 2001. One example is on a 1/2 section of pasture land we own (Sect-33 TWP-139W-R86N E 1/2, 320 acres). In 1992, our property tax on that 1/2 section was \$458.85. In 2001, the property tax on that same 1/2 section of pasture land was \$791.07. In that time period, no improvements were made on that piece of land. This was a 72% increase in that time period.

I believe that House Bill 1381 would make taxation for the school district portion of the property tax more equitable. Increasing education costs should not fall primarily on the property owners.

There are two concerns that I have with this bill. First, will this bill actually reduce property taxes or will it be up to individual school districts to reduce mill levies. Second, I would hope the money generated from this bill would be appropriated so that small rural school districts with lower enrollments would benefit, as well as the larger school districts. Even though I do have these concerns, I believe this bill is a step in the right direction.

Thank you very much for your time in listening to my testimony.

Grant Johnson  
4155 County Road 86  
Almont, ND 58520

(701) 843-8785

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Deanna Hallmark  
Operator's Signature

10/3/03  
Date

- \* All sources of wealth should be included in the calculation for state foundation aid entitlements.

11. While recognizing the importance of the Americans with Disabilities Act, handicapped access requirements, fire and life safety codes and other state and federal mandates, schools should be given a reasonable time to comply with these provisions in areas that are not inordinately hazardous. School districts should be able to obtain loan funds from state construction fund and other sources on a long-term, low-interest rate basis to meet these costs.

12. NDSOS opposes legislation that establishes charter schools or voucher systems or tax credits for private schools.



### North Dakota Small Organized Schools

Robert Stringer, President  
Box 367  
Sykeston, ND 58486  
(701) 984-2392  
E-mail rstringer@sendit.nodak.edu

Arthur E. Mitzel  
P.O. Box 26  
Page, ND 58064-0026  
(701) 668-2520  
E-mail amitzel@sendit.nodak.edu

Gerald Quintus, Secretary-Treasurer  
Box 369  
Richardton, ND 58652  
(701) 974-2111  
E-mail gquinis@nodak.edu

Dean F. Bard, Executive Director  
1604 River Drive  
Mandan, ND 58554  
(701) 663-0002  
Fax (701) 663-0002  
E-mail sbard468@msn.com

### North Dakota Small Organized Schools

### Legislative Program 2003

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Deanna Hall Smith*  
Operator's Signature

10/3/03  
Date



## LEGISLATIVE PROGRAM

1. The reimbursement for increases in teacher salaries provided by the 2001 Legislative Assembly, which reimbursed school districts for teacher salary increases up to \$1,000 for the first year of the biennium and up to \$3,000 for the second, should be continued at no less than the same compensation level for the 2003 biennium.
2. Teacher salaries are a matter of paramount importance and it is the responsibility of each local school district to determine such salaries, in accordance with local conditions and needs, so as to attract and retain quality professional instructional personnel.
3. The association continues to believe that the changing of school district boundaries is a matter for local determination. Therefore, any legislation that permits a reorganization to be effective without a favorable vote of the patrons of the district or districts that are affected, will be opposed.
4. The association opposes school district boundary changes or school closings based solely on reasons of location, size or level of grade offerings. We continue to believe that school district reorganizations based on factors that clearly show educational advantages for pupils are appropriate.
5. The 90% cap on state transportation costs should be eliminated and districts should be reimbursed for 100% of cost. Reimbursement for busses with a capacity of transporting 10 or more students should be increased from 67 cents to 75 cents per mile for transporting students living outside the incorporated limits of a city. Transportation services for special and vocational education should continue to be funded.
6. All schools should have access to improved distance learning technology for instructional purposes and this program should continue to be funded. Especially, the state should continue funding for the state-wide network. School boards should have the authority to levy up to 5 mills to meet funding costs. In addition, school building fund tax moneys should be allowed to be used for the purchase and maintenance of educational technology equipment for student instruction.
7. The establishment of each school's calendar is a matter of local control. The legislative assembly should permit schools to have more flexibility to determine the length of a school day. Schools should also be given the authority to provide an additional two days of state-funded professional staff inservice training to meet the standards for highly-qualified teachers under the federal "No Child Left Behind" Act.
8. NDSOS supports legislation that funds special education in an adequate and equitable manner and at a level that enables school districts to meet the needs of special education students. The state should have a responsibility to fund at least 70% of the cost of special education.
9. It is recognized that mandated educational requirements issuing from the state are necessary for the comprehensive delivery of educational services. However, it is also believed that the state should fund at 100% any new mandate that it requires, and, if no funding is made available, then school districts should not be required to comply with the mandate. Interim committees of the North Dakota Legislative Council should continue to review current practices to determine which educational mandates are no longer current or necessary and should be deleted.
10. NDSOS supports legislation that would allow school boards to increase property taxes by a maximum of three percent each year after reaching the millage cap. The cap should not be less than the average statewide school district tax levy. State foundation aid should be founded on a broadbased, stable state supported system which insures basic education standards for all students no matter where they may live. These elements should be a part of any plan:
  - \* 70% of the cost of education should be met by the state foundation aid program.
  - \* There should be no increase in the millage deduct until the state reaches a level of funding that equals or exceeds 70% of the statewide average cost of education. The value of all local tax-abated real property should be included in the calculation for state foundation aid entitlements.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Dennis Hallmark  
Operator's Signature

10/3/03  
Date