

2021 HOUSE FINANCE AND TAXATION

HB 1446

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1446
2/2/2021

A bill relating to the transfer of legacy fund earnings to a property tax relief fund and a property tax credit for property used as a primary residence.

Chairman Headland opened the hearing at 10:56am.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	AB
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Legacy Fund earnings and property tax credits
- Fiscal impact

Representative Magrum introduced bill (#4922 and 4923).

Pete Hanebutt, North Dakota Farm Bureau, testified in support (no written testimony).

Charles Tuttle, testified in support (no written testimony).

Additional written testimony:

Clinton Tweeten, testimony in support #4823.

Les Lanzo-Fusee, testimony in support #4821.

Jocelyn Backman, testimony in support #4759.

Kathy Schneibel, testimony in support #4370.

Dave Lakefield, Finance Director for the City of Minot, testimony in opposition #4890.

Chairman Headland closed the hearing at 11:23am.

Mary Brucker, Committee Clerk



NORTH DAKOTA HOUSE OF REPRESENTATIVES

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Representative Jeffery J. Magrum

District 28
P.O. Box 467
Hazelton, ND 58544-0467

C: 701-321-2224
jmagrum@nd.gov

COMMITTEES:

Judiciary
Political Subdivisions

02/02/2021

Good Morning Chairman Headland and House Tax and Finance committee members.

I stand before you to introduce HB1446.

The number one comment that I heard from my constituents on the campaign trail is that if they vote for me that I should work hard to reduce property taxes, HB1446 is a bill do that. The goal of 1446 is to use Legacy Fund earnings to pay toward Primary Residence property tax credits. The Projected earnings from the Legacy Fund is 500 million. With 164,370,000 already committed we will have 335,630,000 this biennium. Divided by two there is estimated to be 167,000,000 to pay toward primary residence property tax credits per year. We can discuss the process in the bill but before we do that, I would like to point out the potential economic impact of this act. 167,000,000 spent into the economy times the rule of velocity which is well known to be seven. Seven times 167,000,000 equals 1,169,000,000 of money back into the economy. If we take 1,169,000,000 times five percent state tax we could possibly see 58,450,000 dollars collected by the state per year and that doesn't include the local city sales taxes.

The fiscal note to pay for everyone's primary residence property tax is a little over 400 million so if this passes it would pay for approximately 1/3 of everyone's primary residence property tax.

Another huge benefit is the perception by folks from other states that may be drawn here on the idea that they may be able to own their home in the future, property tax free. This would also encourage people to stay here. The Legacy Fund was a brilliant idea, approved by our people in 2010 through a Constitutional Amendment. Legacy by definition means gift. Mr. chairman and committee members in these difficult times I ask you to give our people the Legacy or (gift) that we all voted for. I respectfully ask for a due pass on HB1446.

Thank you Mr. Chairman.

(Rep. Magrum) Fiscal Information - Primary Residence Property Tax Credit – LC# 21.0069.02000

From: Thompson, Emily L. emilythompson@nd.gov

#4923

To: Magrum, Jeffery jmagrum@nd.gov

Date: Monday, December 28, 4:54 PM

Subject: 21.0069.02000.pdf 97 KB

Good Afternoon, Representative Magrum:

In regard to the fiscal information you requested on the attached primary residence property tax credit bill draft, the Governor's executive budget estimates \$500 million in legacy fund earnings will be transferred to the general fund on June 30, 2021. A total of \$164,370,000 of this amount already has been dedicated by the 2019 Legislative Assembly. This leaves an estimated \$335,630,000 in earnings remaining for placement in the legacy property tax relief fund for use for the first two years of the property tax credit. This amount will be prorated among claimants in the event legacy fund earnings are insufficient to cover the full amount of the credit.

Please feel free to reach out if you have any questions regarding the draft.

Kind regards,

Emily Thompson

Code Revisor

North Dakota Legislative Council

500 East Boulevard Ave

Bismarck, ND 58505

emilythompson@nd.gov

701.328.2916

From: State of ND, DoNotReply <donotreply@nd.gov>

Sent: Monday, December 28, 2020 4:37 PM

To: Magrum, Jeffery <jmagrum@nd.gov>

Cc: Thompson, Emily L. <emilythompson@nd.gov>

Subject: (Rep. Magrum) Relating to the transfer of legacy fund earnings to a property tax relief fund, a property tax... – LC# 21.0069.02000

PREPARED BY:

Marty Beard

DATE: Feb 2

PROJECT TITLE:

HB- 1446

2020

Mr. Chairman & Committee

Thankyou for what you do.

I am in favor of HB 1446

This Idea is not new, it has been used in Minnesota with the Taconite fund. That money came from Iron mining and is used to reduce property taxes up to 57%

There are 25 states with lower property taxes than North Dakota, how are they doing it?

The ideas floating around on how to spend, squander, invest the interest of the Legacy fund are MANY!

But, I feel HB 1446 is the most beneficial and honest way for elected officials to actually start keeping some of the promises they make to the people who elected them.

Thank

Marty Beard

9099 119st SE

BIS ND 58504

701-400-8384

Testimony for HB1446

Clinton Tweeten
Homeowner in McLean County
Lifetime Resident and Farmer

I fully support HB1446 and ask the Chairman and Committee to pass this much needed bill. Thank You.

Written Testimony for HB1446

On this day, Tuesday 2, 2021, I, Les M. Lanzo-Fusee, submit the following written testimony to the Chairman and Committee of the **House Finance and Taxation Public Hearing**.

As a property owner in Glenview Township in Burleigh County, I have a vested interest in this bill. Therefore, I fully support the language additions for the proposed new sections to Chapter 21-10 and Chapter 57-02 in the ND Century Code under HB1446.

Hello Committee Members, my name is Jocelyn Backman and I am submitting this written testimony IN SUPPORT of HB1446 relating to the transfer of legacy fund earnings to a property tax relief fund and a property tax credit for property used as a primary residence.

I have been a citizen of ND my whole life and have paid property taxes since I graduated from High School when I moved into my first apartment. In the ND State Constitution, it states that ND is to provide a free education for ND kids, it doesn't state that property taxes should be taken to pay for school. I have 2 kids, 1 that went through public school, and one that will be in private school or home schooled. It makes no sense for ALL citizens of ND to pay for school when it's against the Constitution.

I urge you to PASS this through committee.

Thank you for reading my testimony and for your time.

House Finance and Taxation Committee

Chair and committee persons

HB1446

I, Kathy Schneibel request a Do Pass vote on HB1446.

I have owned my home since 1983 and paid my taxes each year and paid my home off. Now I'm at retirement age and still have to hold a part-time job just to pay my property taxes.

I think as a 38 year home owner, I have paid my dues and at my age should not have to work to pay the full property taxes on property that has been paid in full. A 40% discount would be extremely helpful!!

Please vote in support of this bill.

Kathy Schneibel

3 Carlin

Lincoln ND

7012261545

House Finance and Taxation
Chairman Craig Headland
January 21, 2021

By: David Lakefield
Finance Director, City of Minot
701-857-4784

HB 1446

Chairman Headland and Members of the House Finance and Taxation Committee, my name is David Lakefield and I am the Finance Director for the City of Minot. I would like to thank you for your time to address this bill this morning.

I am unable to support the bill in its current format. I think that most people would agree that property tax relief is generally a good thing, there are a number of uncertainties in the mechanics of this bill that are of concern.

While preparing this testimony, I had a number of questions regarding the sequence of operations. The process outlined appears to provide for payment to the local subdivisions in late June or July. This would be substantially different than the current process where a greater portion of property tax revenues are received early in the year and could potentially cause cash flow problems for some political subdivisions.

Of greater concern was section 15 where it outlines the process for the State Tax Commissioner to prorate the credits if there are not enough funds to pay all of the claims. It is unclear is the

remainder of the tax would still be paid by the property owner and the mechanism to accomplish that.

When I reviewed the Fiscal Note to the bill, it indicates that "If the money available in the legacy property tax relief fund is insufficient to cover the full amount of credits claimed, the tax commissioner is to prorate the credit amounts for payment to each county. This would potentially leave counties and their political subdivisions with a shortfall of revenue equal to the amount of credits claimed but not reimbursed through the primary residence property tax credit program."

This is of great concern to political subdivisions and could have a devastating impact on our ability to provide critical services to our residents.

The bulk of funds raised through property taxes goes to fund the General Fund. The bulk of General Fund spending goes to provide public safety services and administrative services. The bulk of these costs are related to employee salaries and benefits. Minot's 2021 Budget includes a total appropriation of \$45,694,436 for the General Fund. Of that, \$19,793,770 or 43.3% is funded by property taxes. The remainder of the costs are supported by other revenue sources such as fees for services, sales tax, grants, and Federal and State funds. The cost of salaries and benefits for General Fund Departments is \$28,358,748. Public Safety (Police and Fire) accounts for more than half of these costs. It is critical that the source of revenue to provide these critical services is stable and somewhat certain.

While I would be in support of the concept of property tax relief through a funding mechanism such as this, there needs to be some safeguards in place to insure that political subdivisions will be able to raise the funds necessary to support their operations.

Thank you for your time today. I would urge you to give HB 1446 a "do not pass" recommendation.

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1446
2/3/2021

A bill relating to the transfer of legacy fund earnings to a property tax relief fund and a property tax credit for property used as a primary residence.

Chairman Headland opened up for discussion at 3:51pm.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	AB
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Property tax relief from legacy fund earnings

Representative Ertelt will discuss with Legislative Council.

Chairman Headland closed the discussion at 3:58pm.

Mary Brucker, Committee Clerk

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1446
2/8/2021

A bill relating to the transfer of legacy fund earnings to a property tax relief fund and a property tax credit for property used as a primary residence.

Chairman Headland opened up for discussion at 10:51am.

Representatives	Present
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	Y
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	Y
Representative Nathan Toman	Y
Representative Wayne A. Trottier	Y

Discussion Topics:

- Committee decision

Representative Dockter made a motion for a Do Not Pass.

Representative M. Nelson seconded the motion.

Representatives	Vote
Representative Craig Headland	Y
Representative Vicky Steiner	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Sebastian Ertelt	AB
Representative Jay Fisher	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	N
Representative Ben Koppelman	N

Representative Marvin E. Nelson	Y
Representative Nathan Toman	AB
Representative Wayne A. Trottier	N

Motion carried 9-3-2

Representative M. Nelson will carry this bill.

Chairman Headland closed the discussion at 10:53am.

Mary Brucker, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1446: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (9 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). HB 1446 was placed on the Eleventh order on the calendar.