

2021 HOUSE FINANCE AND TAXATION

HB 1291

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1291
1/19/2021
AM

A bill relating to reassessment of property sold for less than its most recently assessed true and full value.

Chairman Headland opened the hearing at 10:23am.

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:

- Property reassessments
- Market value of property

Representative K. Koppelman introduced the bill at 10:24am.

Terry Traynor, North Dakota Association of Counties, testified in opposition (#1371).

Chairman Headland closed the hearing at 10:37am.

Additional written testimony:

Paul Houdek, City Assessor for the City of Grand Forks, testimony in opposition #1231.

Allyn Sveen, Auditor for the City of Stanley, testimony in opposition #1338.

Lori Hanson, Director of Tax Equalization for Mountrail County, testimony in opposition #1264.

Paul Fracassi, Director of Tax Equalization for Cass County, testimony in opposition #1123.

Mary Brucker, Committee Clerk

Testimony Prepared for the
House Finance & Taxation Committee

January 19, 2020

By: Terry Traynor, NDACo Executive Director



RE: House Bill 1291

Chairman Headland and committee members, thank you for the opportunity speak to House Bill 1291 on behalf of our 53 counties and their county officials.

Our Association is opposed to the passage of HB1291. It seems peculiar that this bill adjusts taxable value just one way. If it is appropriate to lower a property value due to a single sale, it seems appropriate to raise that properties value if the sale price exceeds what is placed on it for tax purposes. It seems that, as written, it wouldn't meet the standard of Article X, Section 5 of our state's Constitution that states: "*Taxes shall be uniform upon the same class of property including franchises within the territorial limits of the authority levying the tax.*" This would, somewhat arbitrarily lower an individual property, but never raise them for the same reason.

There are processes in place already for property owners to appeal their valuation, at the local, county and state level, using whatever sales information they feel is relevant. Numerous property owners do this every year, and if the information provided is convincing, they are granted the relief they seek.

As written, counties cannot support House bill 1291, and urge a Do Not Pass recommendation.

255 N. 4th St.
PO Box 5200
Grand Forks, ND 58206-5200



#1231

Mayor Brandon Bochenski
(701) 746-4636

TESTIMONY ON SENATE BILL 1291

House Finance & Taxation Committee

January 19, 2021

Paul Houdek, City Assessor, City of Grand Forks, ND

Mr. Chairman and members of the committee, my name is Paul Houdek, and I am the City Assessor for the City of Grand Forks. I want to thank you for the opportunity to provide testimony in opposition to this legislation.

I am contacting you today in opposition of House Bill 1291. This type of bill, at first glance, may sound like a good idea, but there are many unintended consequences that come from passing such a bill. In any mass appraisal model, equity is just as important as reaching market value. This bill will undoubtedly create inequities in every jurisdiction in the state. The real estate market is not a perfect model where everything sells for “market value”. True and Full value is the Assessor’s opinion of market value. The true and full value assigned by the Assessor is an opinion of value by a trained professional using the best and most current market data available. One sale of one property does not mean that is the market value of that property. That one sale is just one sample of data in the overall market. This logic behind this bill completely ignores the overall market data, as well as the cost approach, and the income approach. The real estate market is imperfect and there are many reasons that motivate different buyers and sellers to agree on a purchase price. In some cases buyers are more motivated and the price they are willing to pay goes up. In other cases the sellers are more motivated and the price they are willing to accept goes down accordingly. The “market value” is a measure of the sum total of all the market data available at any given time, not just the result of one transaction.

What happens when the properties sell for more than the true and full value? If the sale price equals market value (and it doesn’t) then it would seem the right thing to do is to raise values on properties that sell for more than the assigned true and full value to the sale price as well.

The Grand Forks City Assessor and the City of Grand Forks Legislative Committee oppose this bill. I would also ask you to oppose this bill as well.

Respectfully

Paul Houdek

Grand Forks City Assessor



221 S. Main St.
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Stanley, ND 58784-0249
701-628-2225
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January 18, 2021

HB # 1291 (1/19/2021 Hearing – 10:00 A.M.)

Dear Chair Headland and Honorable Members of the House Finance and Taxation Committee:

I am respectfully requesting you to support a **“DO NOT PASS”** on House Bill #1291 relating to reassessment of property sold for less than its most recently assessed true and full value.

House Bill #1291 compromises equitable value between like properties. The proposed bill addresses only the property that is sold, not other like structures. For example, you have a development that has several like structures, but just one structure is sold. This particular structure is reassessed by the first assessment date following the sale at a true and full valuation not exceeding the sales price. What happens when property is sold at a higher value, do we value that property at a higher value or are we just concerned if it is a benefit to the buyer? If sales continue to go up and down in the same development, values of like properties become distorted causing inequities within.

Please do not compromise the equity of property values; your support for a **“DO NOT PASS”** on House Bill #1291 is greatly appreciated.

Sincerely,
Allyn Sveen
Stanley City Auditor

E-mail: District #2 & #4 House Representatives
bertanderson@nd.gov
dlongmuir@nd.gov
cfegley@nd.gov
tbjones@nd.gov



#1264

Monday, January 18, 2021

HB 1291 (1/19/2021 Hearing - 10:00 AM)

Dear Chairman Headland and Honorable Members of the House Finance and Taxation Committee,

Thank you for the opportunity to submit written testimony regarding House Bill No. 1291. After reviewing the bill in detail, the following is an explanation as to why I cannot support this bill. As assessors, we utilize a Mass Appraisal Methodology.

Overview of Mass Appraisal

The ND legislature (in 2015) required all property assessors to become certified either as Class 2 or Class 1 assessors in the State of North Dakota. The governing body for the majority of the certification training is the International Association of Assessing Officers (IAAO) that provides certification classes, textbooks, and validates all assessors are certified.

Mass Appraisal techniques are used for assessing numerous properties equitably. The following comes from the "Fundamentals of Mass Appraisal" textbook used by IAAO for the class on Mass Appraisal:

Page 5 – "The central idea of mass appraisal is the development of appraisal models that are then applied to groups of properties in a cadastral database, to produce estimates of the value of all properties in the group."

Pages 395 – 396 – "The reliability of ratio study statistics depends on unsold properties being appraised in the same manner as sold properties. Selective reappraisal of sold properties **distorts sales ratio results**, possibly rendering them useless. Equally important, selective reappraisal of sold properties (sales chasing) is a **serious violation of basic appraisal uniformity and is highly unprofessional**. Oversight agencies should be vigilant to detect the practice if it occurs and take any necessary corrective actions." (emphasis added)

For example: You have several homes in a neighborhood that are similar. A home sells for under the true and full value – do you lower all homes based off of one sale or do you just lower the one that sold? As the current bill reads, the assessor would just lower the one that sold. Then we have another sale that was above our true and full value – how do we keep properties equalized? This bill would compromise the equity of our values.

Passing this bill in its current form will violate existing assessing mass appraisal standards and best business practices for equalization between equivalent properties. Therefore I advise a ***DO NOT PASS*** for HB 1291.

Sincerely,

Lori Hanson
Mountrail County Director of Tax Equalization



Equalization Department

Box 2806
211 Ninth Street South
Fargo, ND 58103

Telephone: 701-241-5616
Fax: 701-241-5729
assessor@casscountynd.gov

Testimony prepared for:

House Finance and Taxation Committee

Prepared January 15, 2021

Paul Fracassi, Director of Equalization

Cass County Government

RE: House Bill No. 1291

Chairman Headland and Committee Members;

Thank you for the opportunity to submit written testimony regarding House Bill No. 1291. The intent of this bill appears earnest at first glance, but after reviewing the bill in detail, I hope to provide you with an explanation as to why I cannot support this bill.

The main concern with the bill is that it has too many assumptions. The first assumption in the bill is that the housing market is perfect. This is demonstrated when the bill limits the market to one sale. As we know, the market is not perfect; a sale can be impacted greatly by the time of year in which a property is listed, the realtor used, or individual buyer/seller motivation. Assessors and Tax Directors are required to value property through a mass appraisal process, which utilizes every sale that happened throughout the year. This bill focuses on only one sale, which is only a sample of the market.

The bill also assumes that the sale price is the sole indicator of value. It's important to remember that the mass appraisal process requires the use of the sales comparison, income, and cost approach to value.

When I read the bill, I feel the intent is for residential property, as it fails to address or understand the complexity of commercial sales, which could have a detrimental impact on the equity of commercial values.

A property owner should have every right to be concerned and bring attention to a situation where their property is valued for more than their purchase price, but it is the job of the Assessor and Tax Director to walk the owner through the process and both demonstrate and support their value. If the value cannot be supported then an adjustment would be warranted.

Sincerely,

Paul Fracassi
Cass County Government, Director of Equalization

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1291
1/19/2021
PM

A bill relating to reassessment of property sold for less than its most recently assessed true and full value.

Chairman Headland opened discussion at 2:16pm.

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

Discussion Topics:

- Market value on property
- Arm's Length transaction definition

Representative Dockter made a motion for a do not pass.

Representative Bosch seconded the motion.

Roll call vote:

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

Representative Tom Kading	N
Representative Ben Koppelman	N
Representative Marvin E. Nelson	Y
Representative Nathan Toman	N
Representative Wayne A. Trottier	Y

Motion failed 7-7-0

Chairman Headland closed the discussion at 2:36pm.

Mary Brucker, Committee Clerk

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1291
1/20/2021
AM

A bill relating to reassessment of property sold for less than its most recently assessed true and full value.

Chairman Headland opened for discussion at 10:31am.

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

Discussion Topics:

- Productivity formula
- Committee motions

Representative D. Anderson discussed his findings.

Representative D. Anderson made a motion for a Do Not Pass.

Representative Bosch seconded the motion.

Motion withdrawn.

Chairman Headland closed the discussion at 10:36am.

Mary Brucker, Committee Clerk

2021 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Room JW327E, State Capitol

HB 1291
1/20/2021

A bill relating to reassessment of property sold for less than its most recently assessed true and full value.

Chairman Headland opened for discussion at 2:12pm.

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

Discussion Topics:

- Reassessment of property
- Committee decision

Representative D. Anderson made a motion for a Do Not Pass.

Representative Bosch seconded the motion.

Motions withdrawn.

Representative B. Koppelman made a motion for a Do Pass.

Representative Ertelt seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	N
Representative Vicky Steiner	N
Representative Dick Anderson	N
Representative Glenn Bosch	N

Representative Jason Dockter	N
Representative Sebastian Ertelt	Y
Representative Jay Fisher	Y
Representative Patrick Hatlestad	N
Representative Zachary Ista	N
Representative Tom Kading	AB
Representative Ben Koppelman	Y
Representative Marvin E. Nelson	N
Representative Nathan Toman	Y
Representative Wayne A. Trottier	N

Motion failed 4-9-1

Representative Dockter made a motion for a Do Not Pass.

Vice Chairman Steiner 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	N
Representative Jay Fisher	N
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Tom Kading	AB
Representative Ben Koppelman	N
Representative Marvin E. Nelson	Y
Representative Nathan Toman	N
Representative Wayne A. Trottier	Y

Motion carried 9-4-1

Representative D. Anderson will be the bill carrier.

Chairman Headland closed the discussion at 2:27pm.

Mary Brucker, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1291: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1291 was placed on the Eleventh order on the calendar.