



# Property Tax Newsletter

News and developments

A publication of the Property Tax Division

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August 2010

## Changes in the Property Tax Division

There have been some changes within the Property Tax Division of the Office of State Tax Commissioner within the last two months. We have two new faces, one familiar face is no longer there, and one familiar face has added two to her family.

Females continue to dominate the Property Tax Division. Jolene Vidal, formerly of the Burleigh County Tax Director's Office, joined the Property Tax Division on June 7th. Jolene's title is property tax specialist and she fills a new position created within the division. Ruth Graf, formerly the Kidder County Auditor, came to the Property Tax Division on July 26th by way of the Office of the North Dakota Secretary of State. Ruth's title is audit technician and she replaced Ramona Wanner who retired June 30th from the Property Tax Division after 36 years of service to the State of North Dakota. Incidentally, Ramona will come back to work in the Property Tax Division sometime in August as a temporary employee to train Ruth in auditing abstracts. Sara Meier (formerly Hewson) became mom to twin girls on June 24th. Marcy Dickerson, LuElla Dahme and Judy Brosz continue in their respective duties in the Property Tax Division.

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## 2010 State Board of Equalization Meeting Scheduled

The North Dakota State Board of Equalization (Board) will meet on Tuesday, August 10, 2010, to review and equalize locally assessed real property. The meeting will be held in the Brynhild Haugland Room on the ground floor of the State Capitol and will begin at 9:30 a.m. CDT.

The Board will determine whether 2010 residential and commercial assessments are uniform and equitable throughout the state, and whether the average agricultural land value for each county corresponds with the average value per acre for each county certified by North Dakota State University. The Board will approve residential and commercial property assessments that represent 95 to 100 percent of market value. By statute, the Board may not approve residential and commercial property assessments in any county or major city that exceed 100 percent of true and full value as determined by the sales ratio study for that jurisdiction. The Board will approve agricultural land assessments of counties whose average agricultural land value for the county represents 95 to 100 percent of the average agricultural land value certified by North Dakota State University.



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The Board will take testimony in alphabetical order, by county, beginning with Cavalier County. Individuals who believe the 2010 assessment of their property is inequitable or unfair may appeal to the Board. The State Board of Equalization does not have authority to reduce any individual assessment unless the owner first appealed the assessment to the local and county boards of equalization. The Tax Commissioner recommends that individuals who wish to appeal their assessment to the State Board of Equalization notify the Board, in writing, of their intent prior to the August 10th meeting.

The Tax Commissioner's Office notifies appropriate assessment officials of property owners who intend to appeal an assessment to the State Board of Equalization. Assessment officials who believe one or more property owners from their jurisdiction may appeal to the 2010 State Board of Equalization will want to make preliminary preparations for making a statement to the Board relative to the jurisdiction's investigation and action pertaining to the appeals. Representatives of counties and/or major cities for which real property assessments are not within the allowable tolerance level will need to explain the reasons why 2010 assessments are not compliant. 

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## Taxation Committee to meet in August

The Taxation Committee of the North Dakota Legislature will meet on Tuesday, August 24, 2010, at 9:00 a.m. in the Roughrider Room of the State Capitol in Bismarck.

The agenda includes information and testimony on committee studies of mineral production tax and economic impact, property tax reform and relief, the equity of the 911 fee structure and funding of emergency services communications, potash and uranium mining and taxation issues, and subsidized housing property tax status. 

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## Administration of the Disabled Veteran's Credit

The 2009 Legislature changed the disabled veteran's exemption to a credit. The state reimburses political subdivisions for the disabled veteran's credit like it does for the homeowner's property tax credit.

To qualify for the credit, an applicant must be a disabled veteran of the U.S. Armed Forces with an armed forces service-connected disability of 50 percent or greater. The veteran must have been disabled on the assessment date, February 1, 2010, to qualify for the 2010 disabled veteran's credit. If the disability determination was not in effect until after the assessment date, the veteran is not eligible for the credit until 2011.

The controlling date for qualifying for the disabled veteran's credit is the date on which the veteran was first considered disabled. For example, if a veteran requested and received a notice in July 2010 stating that he was considered 80 percent disabled in December 2009, the veteran would be eligible for 2010 because the disability determination was in effect on or before February 1, 2010. If the disability began February 2, 2010, the veteran would not be eligible for the credit until 2011.

The Department of Veteran's Affairs provides disabled veterans with documentation showing the percentage of the veteran's disability compensation rating for service-connected disabilities. Assessment officials must use that percentage amount for purposes of calculating the credit.

*The controlling date for qualifying for the disabled veteran's credit is the date on which the veteran was first considered disabled.*

A qualifying disabled veteran is eligible for a credit applied against the first \$120,000 true and full valuation of fixtures, buildings, and improvements of the veteran’s homestead equal to the percentage of the veteran’s disability compensation rating for service-connected disabilities. Following is an example of calculating the disabled veteran’s credit.

An applicant is a veteran with 60 percent service-connected disability. The veteran and spouse own a residence valued as follows: land: \$20,000; structure: \$140,000.

Bldg. T & F Value	\$ 140,000	
Maximum T & F Credit	120,000	
x Disability % (60%)	<u>0.60</u>	
Credit (T & F Value)		\$ 72,000
Total T & F Value	\$ 160,000	[\$20,000 (land) + \$140,000 (bldg.)]
Minus Credit	<u>- 72,000</u>	
T & F Value remaining		\$ 88,000

Disabled veteran owes property tax based on \$88,000 true & full value.

The disabled veteran’s credit is calculated based on the true and full value of the improvements. For reporting purposes, however, on the County Auditor’s Certificate of Qualifying Disabled Veterans Tax Credit (form VC-1), the North Dakota Tax Commissioner requires assessment officials to report the valuation attributable to the disabled veterans credit in taxable valuation, not true and full value.

The provisions of North Dakota Century Code (N.D.C.C.) § 57-02-41 allow for proration of the assessment of a property which a qualifying disabled veteran purchases or sells during the year. For example, a disabled veteran purchases a property during the year and the veteran qualifies for the credit. The assessment is prorated for the portion of the year during which the veteran owns and resides in the residence. Similarly, the credit is prorated if a residence in which the veteran resides is sold. The veteran is entitled to the credit on the property for the portion of the year during which the veteran owned it, but not for the portion of the year during which the new owner possesses the property. If a veteran changes homesteads during the year, the veteran is entitled to receive the prorated credit on the first homestead and a prorated credit on the homestead to which the veteran moves. 

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## Property Tax Exemption of Single Family Residences

The Office of State Tax Commissioner was asked for its position whether the phrase “single family residential property” included condominiums and townhouses as it is used in N.D.C.C. § 57-02-08(42), enacted by the 2009 Legislature.

The Tax Commissioner’s Office published an official Guideline in November 2009 pertaining to this exemption. The Guideline provides that “[S]ingle family residential property includes condominiums and townhouses.” N.D.C.C. § 57-02-08(42) specifically allows governing bodies that adopt a resolution of this nature to provide limits or conditions to the exemption as they determine necessary. 

*A qualifying veteran is entitled to the credit for the portion of the year during which the veteran owned the property.*

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## Assessor's Manual

The current Assessor's Manual consists of a table of contents and five sections. The Table of Contents contains an alphabetical listing of assessment subject matter and reference to the various resources within the Assessor's Manual. Section 1 contains current assessment laws. Section 2 contains the Property Tax Guidelines. Section 3 contains Property Tax Forms. Section 4 contains North Dakota Administrative Code ch. 81-02.1-02 which pertains to certification of assessment officials. Section 5 contains residential construction details and appraisal terminology. Section 6, which contains the cost and depreciation tables, is no longer part of the Assessor's Manual. Assessment jurisdictions need to provide their own cost manuals.

Most of the contents of the Assessor's Manual are available on the Tax Department's web site. Use the following link [www.nd.gov/tax/property/pubs/](http://www.nd.gov/tax/property/pubs/). Under the heading "PDF Publications" you can access the following information:

- Assessor's Manual – Table of Contents
- Assessor's Manual – Laws (Section 1)
- Assessor's Manual – Property Tax Guidelines – Index (Section 2)
- Assessor's Manual – Property Tax Forms - Index (Section 3)

You may access the individual Property Tax Guidelines on the web site at [www.nd.gov/tax/property/pubs/guide/index.html](http://www.nd.gov/tax/property/pubs/guide/index.html). You may access some of the Property Tax Forms at [www.nd.gov/tax/property/forms/](http://www.nd.gov/tax/property/forms/). To obtain copies of the balance of the materials included in the Assessor's Manual, contact the Property Tax Division. 

*The definition of a homestead includes contiguous property up to a maximum unencumbered valuation of \$100,000.*

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## Administration of Homestead Credit

An applicant for the homeowner's property tax credit according to N.D.C.C. § 57-02-08.1 may receive a credit on all or a portion of the applicant's homestead. The term "homestead" for purposes of this credit is defined in N.D.C.C. § 47-18-01, in part, as follows:

"... land ... and the dwelling house on that land in which the homestead claimant resides ... , the total not to exceed one hundred thousand dollars in value, over and above liens or encumbrances or both. . . The homestead may not embrace different lots or tracts of land unless the lots or tracts of land are contiguous. For purposes of this section, "contiguous" means two or more tracts of real property which share a common point or which would share a common point but for an intervening road or right of way."

The definition of a homestead includes contiguous property up to a maximum unencumbered valuation of \$100,000. Valuation of a homestead exceeding \$100,000 is considered an asset. Following is an example:

Market value of the homestead	\$ 170,000
Less: Mortgage remaining	- 50,000
Unencumbered value of homestead	<u>\$ 120,000</u>
Maximum allowed for homestead	<u>100,000</u>
Amount of homestead counted as asset	\$ 20,000

For homestead credit purposes, it does not matter what classification the property is as long as it meets the definition of homestead and the total true and full value of the property does not exceed \$100,000. For example, a homestead credit applicant may own an apartment building that is classified commercial and the applicant lives in one of the apartments. Depending on the percentage of the applicant's eligibility, up to \$100,000 true and full value of that commercial property may be entitled to the credit. Another example is a qualifying homestead credit applicant who owns adjacent lots. The residence in which he lives is located on one lot, the lot next to his residence is vacant and the lot next to the vacant lot has a commercial building on it. The applicant owns all three lots, the lots are contiguous so the applicant may receive homestead credit applied to the valuation of any or all three of the adjacent parcels up to a maximum of \$100,000 market value. An applicant who has a rural homestead with adjacent agricultural land may receive credit on not only the residence but also any adjacent agricultural land up to \$100,000 market value.

Applicants may deduct certain medical expenses from their income. Allowable medical expenses are those actually paid (not owed) by the applicant and not reimbursed by insurance. Over the counter drugs such as aspirin or pain relievers, even though recommended by doctors are not allowable medical expenses unless the applicant has received a prescription from the physician for the medication. Applicants may deduct up to \$50.00 per night lodging expense while away from home to receive medical care in a medical facility related to a hospital, provided the individual's medical insurance does not cover any of that expense. Meal expenses during that time are not an allowable medical expense, except for the cost of meals at a hospital or similar institution may be deducted. Premiums paid for funeral expenses and funeral expenses are not allowable medical expenses for purposes of homestead credit applications.

An applicant qualifies for homestead credit provided he/she is 65 years of age or permanently and totally disabled, owns and resides on the homestead, has income of no more than \$26,000, and does not have assets exceeding \$75,000, excluding the first \$100,000 unencumbered value of the homestead. A qualifying applicant having income of \$21,500 in the prior year would be eligible for homestead credit at 60% of the taxable value of the homestead. If the true and full value of the applicant's homestead is \$125,000, the taxable value is \$5,625. Calculation of the homestead credit amount follows:

	Homestead		Hom. Credit	Maximum	Taxable Value
<u>Taxable Value</u>	x <u>Credit %</u>	=	<u>Amount</u>	<u>Reduction</u>	<u>Remaining</u>
\$5,625	60%		\$3,375	\$2,700	\$2,925 (\$5,625-2,700)

If an applicant files an application for homestead credit for 2008, assessment officials must consider the applicant's income, medical expenses and assets during 2007. The maximum income and homestead credit amounts allowed were different for 2008 applications than for years 2009 and beyond. Applicants must also file an application for abatement along with their homestead credit application for any prior year and for the current year after completion of the county board of equalization. For example, this month an applicant files applications for homestead credit for years 2008, 2009 and 2010. The applicant must also file applications for abatement for all three years. The application for homestead credit and accompanying abatement application for 2008 must be filed in the county auditor's office no later than November 1, 2010. There is no statutory provision to allow reduction for homestead credit beyond the years allowed for filing an application for abatement according to N.D.C.C. § 57-23-04.

The board of county commissioners is the only governing board that needs to act on applications for abatement pertaining to homestead credit applications. The governing body of the township or city does not need to notify the homestead credit applicant of a hearing and it is not required to make a recommendation on applications for homestead credit. Applications for abatement filed for any other reason do require hearings and recommendations by the local governing boards. 

***Allowable medical expenses are those actually paid (not owed) by the applicant and not reimbursed by insurance.***

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## Discount for early payment of taxes

North Dakota Century Code § 57-20-09 allows the county treasurer to allow a five percent discount to taxpayers who pay all real estate taxes levied on a parcel of real property for the current tax year in full on or before February 15th before the tax becomes delinquent.

The discount applies only to real estate taxes. The discount does not apply to special assessments. The discount does not apply to taxpayers who make payments in lieu of taxes as those payments do not constitute taxes. The only exception is in-lieu payments made by Workforce Safety and Insurance for its building in Bismarck because of specific wording in N.D.C.C. § 65-02-31. 

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## Reporting of blind persons receiving property tax exemption

North Dakota Century Code § 11-13-18 requires county auditors to report to the director of the North Dakota Department of Transportation (DOT) the names of all blind persons for whom a property tax exemption is claimed according to N.D.C.C. § 57-02-08(22). The DOT uses that information to determine whether those individuals should be allowed to operate a motor vehicle in North Dakota.

To complete the report, county auditors obtain the names of blind persons from the applications for property tax exemption filed with assessors according to the provisions of N.D.C.C. § 57-02-08(22). 

*Proof of disability must be established by a certificate from a licensed physician or a written determination of disability from the social security administration.*

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## Evidence of disability for homestead credit and exemption applications

Individuals who apply for the homeowner's property tax credit and renters refund programs as permanently and totally disabled persons must provide evidence of their disability upon their initial application or whenever requested to do so. Proof of disability must be established by a certificate from a licensed physician or a written determination of disability from the social security administration.

The physician's certificate, available on the Tax Department web site: [www.nd.gov/tax/property/forms/physicians-certificate.pdf](http://www.nd.gov/tax/property/forms/physicians-certificate.pdf) is specifically designed for use with the homestead credit and renter refund programs.

Individuals who apply for property tax exemption status as a wheelchair bound individual, paraplegic disabled person, a blind person, or any other type of disability need to provide a letter from their physician that specifies the type of disability the individual has. When individuals make application for exemption claiming a specific type of disability, the Tax Commissioner's Office recommends assessment officials provide applicants with a copy of the statute applicable to their request and suggest the applicant obtain their physician's signed statement certifying the specific type of disability. Assessment officials may then use the physician's statement regarding the disability to ascertain whether the applicant meets the qualifications for the exemption requested. 

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## Education Calendar

The Office of State Tax Commissioner will offer the following courses through November 2014.

Oct. 25 – 29, 2010	203	Commercial Property Appraisal
May 9 – 13, 2011	102	Principles & Theory of Value
Nov. 14 – 18, 2011	202	Agricultural Land Valuation
May 7 – 11, 2012	303	Teaching Appraisal Techniques
Nov. 19 – 23, 2012	201	Appraisal of Residential Property
May 13 – 17, 2013	101	Tax Administration
Nov. 18 – 22, 2013	203	Commercial Property Appraisal
May 12 – 16, 2014	102	Principles & Theory of Value
Nov. 17 – 21, 2014	202	Agricultural Land Valuation

The Property Tax Education Schedule is available on the department's web site on the Property, Publications page: [www.nd.gov/tax/property/pubs](http://www.nd.gov/tax/property/pubs) under the heading "PDF publications". 

### Electronic Newsletter

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