



Property Tax Newsletter

News and developments

A publication of the Property Tax Division

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Tax Commissioner

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2008 State Board of Equalization Meeting Scheduled

The North Dakota State Board of Equalization (Board) will meet on Tuesday, August 12, 2008, 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 2008 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 allow plus or minus five percent tolerance for the 2008 assessments.

The Board will take testimony in alphabetical order by county, beginning with Renville County. Individuals who feel the 2008 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 assessment unless the owner first appealed the assessment to both the local and county boards of equalization. The Tax Commissioner recommends 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 12th 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 2008 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 the assessments are not compliant.

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Requirements for the Notice of Increase

The 2007 Legislature amended N.D.C.C. § 57-12-09. The statute requires assessors to notify property owners whenever they increase an assessment by more than 10 percent over the previous assessment.

The new wording in N.D.C.C. § 57-12-09 could be interpreted to mean that a notice of increase is necessary if the assessor increases either the land or improvement value by more than 10 percent, even if the total value is increased by 10 percent or less. The Tax Commissioner's Office takes the position that the new wording in § 57-12-09 is intended to mean that the notice must be sent if the total value of the parcel has increased by more than 10 percent



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N.D.C.C. § 57-14-08(4), which pertains to reassessment of real property, requires the special assessor to send a notice to the property owner whenever the total true and full value is increased by 15 percent or more and \$3,000 or more. The provisions of this statute are not consistent with those of N.D.C.C. § 57-12-09. The Tax Commissioner’s Office recommends that all assessors follow the notification provision regarding 10 percent, because N.D.C.C. § 57-12-09 states, “When any assessor has increased the true and full valuation of any lot or tract of land or any improvements thereon to more than 10 percent . . .”

The Property Tax Division has a notation in its 2009 legislative file to include proposed amendments to those statutes to clarify the issues and make the provisions of those statutes consistent. 

New Legislation Raises Issues Regarding Vacant Lot Valuation

N.D.C.C. § 57-02-27.1 requires assessment officials to value taxable real property at true and full value. For residential and commercial property, true and full value must represent current market value. The 2007 Legislature amended that statute by adding language that allows governing bodies of cities to establish valuations that recognize the supply of vacant lots available for sale.

The statute allows consideration of the supply of vacant lots available for sale and does not require that vacant lots be valued at the price for which some may have sold. The statute does not authorize the city to ignore market value. Rather, it gives the city some leeway to recognize that not all vacant lots are currently in demand or, conversely, that the demand is so strong that vacant lots are worth more than the prices for which others recently sold.

The Property Tax Division interprets this provision to include not only cities, as stated, but also townships. There are townships near major cities that are experiencing city-like development. 

Application For Farm Residence Exemption – Necessary and Useful

It is the responsibility of an individual requesting a property tax exemption to provide the necessary evidence to support his or her claim. For the farm residence exemption, the applicant needs to prove that the majority of time is spent in farming activities and the majority of income is derived from farming activities.

Tax directors who require applicants for the farm residence exemption to regularly submit an application and the income verification worksheet have the opportunity to review the information provided and confirm whether the applicant is eligible for the exemption or not. It is sometimes difficult for assessment officials to determine whether the applicant spends the majority of time in farming activities. Typically, the amount of time an individual spends in farming activities does not change that much. The amount of income derived from farming activities can fluctuate greatly and often. That is why it is especially important to verify applicants’ income on a regular basis. Tax directors who require applicants to regularly complete and submit the income verification worksheet have found that some applicants’ eligibility changes from one year to another.

The Tax Commissioner’s Office recommends that county directors of tax equalization regularly require applicants for the farm residence exemption to file not only the application but also the income verification worksheet. To eliminate privacy issues, tax directors can verify the income listed on the worksheet, make a notation on the application that income was verified, and destroy the worksheet. 

The statute allows consideration of the supply of vacant lots available for sale and does not require that vacant lots be valued at the price for which some may have sold.

Tax Commissioner Reviews Agricultural Land Valuation Procedures

The 2007 North Dakota Legislature passed HB 1303 which amended N.D.C.C. § 57-02-27.2. This statute specifies the method assessment officials use to value agricultural land. The change to the statute requires county directors of tax equalization to use soil type and soil classification data from detailed and general soil surveys to determine the relative value of agricultural land. Assessors must apply the following considerations, in descending order of significance: 1. soil type and soil classification data from the detailed or general soil surveys; 2. the schedule of approved modifiers to adjust assessments; and 3. actual use of property for cropland or noncropland purposes by the owner. Counties are required to fully implement the requirement by assessment year 2010. Counties not in compliance are subject to loss of state revenue.

The Tax Commissioner's Office completed a review of agricultural land valuation practices in all counties of North Dakota to determine not only the current assessment practices for agricultural land but also to determine what counties need to do to comply with the requirements of the statute before 2010. The review yielded the following results:

- 21 counties have established agricultural valuation using either the detailed or general soil method of valuation
- 13 counties are in the process of implementing the detailed soil survey method of valuation
- 19 counties are beginning the process (contracting with GIS vendors to draw parcels, establishing acreage calculations, forming a soil committee)
- Modifiers used or anticipated for use to reflect conditions that affect valuations:
 - Counties use anywhere from 1 to 10 modifiers
 - Values are adjusted from 10% to 100%

Questions regarding the review or agricultural land valuation may be directed to the Property Tax Division. 

Real Property Attached to Park Model Trailers is Taxable

A park model trailer is not subject to the mobile home tax if it meets certain criteria. The trailer must meet the specifications listed in N.D.C.C. § 57-55-10(2)(a)(2). In addition, it must be used only for seasonal or recreational living quarters, it must be located in a trailer park or campground, and the owner must have proof of payment of the park model trailer fee.

Some individuals attach decks and additions to the park model trailers. The Tax Commissioner's Office takes the position that when decks and additions are attached to the ground, those improvements become real property and should be assessed to the owner of the land. 

2009 Legislative Session Is Approaching

In just six months it will be that time again – bills, hearings, and no parking spaces. Now is a good time to start thinking about legislative “fixes” you would like to see. If you are aware of something that requires correction, such as the inconsistencies between § 57-12-09 and § 57-14-08(4) mentioned above, please let the Property Tax Division know. Every session the Tax Commissioner's Office drafts a “housekeeping” bill that includes amendments to take care of problems we have discovered. It may be possible to include something we have missed but you have identified. The housekeeping bill does not address policy issues.

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Your participation in the legislative process is essential. Assessment officials need a person or persons to represent them and work for legislation they support. Any individual may appear before the Legislature on his or her own behalf, but to appear on behalf of others it is generally necessary to register as a lobbyist. Information on lobbyists and lobbying is found on the Secretary of State's web site at <http://www.nd.gov/sos/lobbylegislate/>. 

Education Schedule

The Office of ND State Tax Commissioner will offer the following courses through November 2012.

Nov. 17-21, 2008	102	Principles & Theory of Value
May 11-15, 2009	303	Teaching Appraisal Techniques
Nov. 16-20, 2009	201	Appraisal of Residential Property
May 10-14, 2010	101	Tax Administration
Nov. 8-12, 2010	203-A	Commercial Property Appraisal
May 9-13, 2011	102	Principles & Theory of Value
Nov. 7-11, 2011	202	Agricultural Land Valuation
May 7-11, 2012	303	Teaching Appraisal Techniques
Nov. 12-16, 2012	201	Appraisal of Residential Property

The education schedule is available on the Tax Department web site at www.nd.gov/tax/property/pubs. The Property Tax Education Schedule is listed under PDF publications. 

Any individual may appear before the Legislature on his or her own behalf, but to appear on behalf of others it is generally necessary to register as a lobbyist.

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