



# Property Tax Newsletter

News and developments

A publication of the Property Tax Division

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## 2013 Legislation

Following is a summary of 2013 legislative changes that affect real property assessments and taxation in North Dakota. Some of the bills contain provisions that are not related to property tax. Those provisions are not included here. Note the effective date listed with each bill. For copies of the bills themselves, go to <http://www.nd.gov/sos/lobbylegislate/legislative/index.html>.

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### HB 1013. Makes major changes to school funding and taxation.

- § 47. Amends § 57-15-01.1 to change the base year calculation for the school district general fund.
- § 48. Changes the number of mills that may be levied by school districts and reduces the number of separate purposes for which school districts may levy. Specifies calculations for school districts that have authority to levy up to a specific number of mills.
- § 49. Discontinues many levies formerly available to school districts. Specifies levies that may be made in addition to the general fund for taxable years after 2013 and for taxable year 2013 only.
- Effective for taxable years 2013 and 2014.

### HB 1015. Expands the Homestead Credit program under § 57-02-08.1.

- Incorporates and amends HB 2171 concerning Homestead Credit.
- Increases maximum qualifying income to \$42,000 for homeowners and renters.
- Increases maximum assets allowed for homeowners to \$500,000 including the value of the homestead.
- Changes the income brackets for homeowners to correspond with the new maximum income.
- Effective May 23, 2013.

### HB 1046. Amends § 40-57.1-03 regarding property tax exemptions.

- Amends section 40-57.1-03. Provides that the governing body of a municipality, before the beginning of a taxable year for which a property tax exemption or the option to make payments in lieu of taxes has previously been approved by the governing body, may revoke or reduce an exemption or revoke or increase payments in lieu of taxes for reasons specified in a negotiated agreement or if the governing body finds that:
  - a. Information provided by the project operator has been proven to be inaccurate or untrue;
  - b. Use of the property by the project operator does not comply with the reasonable expectations of the governing body at the time the property tax exemption or the option to make payments in lieu of taxes was approved;
  - c. The property has been improved to a substantially greater extent than the governing body reasonably anticipated at the time the property tax exemption or the option to make payments in lieu of taxes was approved;
  - d. There has been a change of ownership of the property since the property tax exemption or the option to make payments in lieu of taxes was approved.
- Effective for taxable years beginning after December 31, 2013.



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**HB 1106 – Sections regarding property tax.**

- Section 1. Amends section 23-27-04.7. Provides that all of the special tax levy revenue collected in a particular township shall be allocated to the ambulance service that serves the largest area within that township.
- Effective for years beginning after December 31, 2012.
- Section 2. Creates a new section to chapter 57-02 to provide that the county auditor shall publish in the county newspaper for two successive weeks a notice of the meetings of the local equalization boards. Provides that township board meetings must be held on the second Monday in April and city board meetings must be held on the second Tuesday in April. This is the same language that existed in section 27-23-02 and is repealed by section 41 of this bill.
- Effective for tax years beginning after December 31, 2013.
- Section 3. Creates a new section to chapter 57-02 to provide that the county auditor shall publish in the official county newspaper for two successive weeks a notice of the meeting of the county board of equalization. Provides that the county equalization proceedings must be held no later than June 10.
- Effective for tax years beginning after December 31, 2013.
- Section 4. Amends section 57-02-08.1. Provides that a written determination of disability from any federal or state agency that has authority to certify an individual's disability is acceptable proof of disability for purposes of homestead credit.
- Effective for tax years beginning after December 31, 2013.
- Section 8. Amends subsection 17 of section 57-06-06 to require centrally assessed companies to provide additional facts and information relating to the taxation of their property in North Dakota.
- Effective August 1, 2013.
- Section 9. Amends section 57-06-17.3 to delete the provision that revenue from the transmission line tax is to be placed in the county general fund.
- Effective August 1, 2013.
- Section 10. Creates a new subsection to section 57-13-04. Provides that a property owner may appeal the assessment, classification, and exempt status of the owner's property to the state board of equalization if the property owner was foreclosed from attending assessment proceedings because of the failure to substantially comply with the notice requirements in chapters 57-02 and 57-12, or because of an irregularity in the township, city, or county assessment proceedings.
- Effective for tax periods beginning after June 30, 2013.

**HB 1178. Section of interest to county auditors and assessment personnel.**

- Amends § 57-06-21 to require each company required to be assessed under ch. 57-06 to file with the county auditor and tax commissioner by March 15 a map of all its lines within the county. On or before February 1 the county auditor shall provide to each company a current map showing the boundaries of each taxing district in the county.
- Effective January 1, 2014.

**HB 1213. Exemption of housing authority property.**

- Amends § 23-11-29 to exempt from all taxes and special assessments property of a housing authority used for authority administration, or other property solely owned by the authority and used to conduct the powers granted to the authority in ch. 23-11.
- Effective January 1, 2013.

**HB 1225. Repeals confidentiality of statements of full consideration.**

- Amends § 11-18-02.2 to repeal the provisions that required the state board of equalization, county recorders, and local officials to guard the secrecy of information contained on statements of full consideration.
- Applies to all statements of full consideration, regardless of the date recorded.
- Effective August 1, 2013.

**HB 1300. Amends subsection 9 of § 57-02-08.**

- Exempts from ad valorem taxation all buildings owned by any religious corporation or organization and used for the religious purposes (formerly services) of the organization. Increases acreage exempted in addition to that specified to five acres (formerly two acres).
- Retroactively effective for taxable years starting with 2011.

**HB 1306. Amends § 57-02-08.8.**

- Increases the maximum property tax credit allowed for a disabled veteran to \$6,750 taxable value of the fixtures, buildings, and improvements of the homestead.
- Effective January 1, 2013, for ad valorem property taxes and January 1, 2014, for mobile homes taxes.

**SB 2036. Various provisions.**

- Amends § 57-12-09. Requires that the form of notice prescribed by the tax commissioner must require a statement to inform the taxpayer that an assessment increase does not mean property taxes on the parcel will increase. The notice must state that each taxing district must base its tax rate on the number of dollars raised from property taxes in the previous taxable year by the taxing district and that notice of public hearing will be mailed to the property owner if a greater property tax levy is being proposed in the taxing district. The notice may not contain an estimate of a tax increase resulting from the assessment increase.
- The assessor shall provide an electronic or printed list including the name and address of the addressee of each assessment increase notice required under this section to each city, county, school district, or city park district in which the subject property is located, but a copy does not have to be provided to any such taxing district that levied a property tax levy of less than \$100,000 for the prior year.
- Amends § 57-15-02.1. Provides that at least seven days before a public hearing on the property tax levy, the governing body shall cause notice of the information required to be published regarding the public hearing on the property tax levy to be mailed to each property owner who received notice of an assessment increase for the taxable year under § 57-12-09.
- For taxable year 2013 only, for purposes of determining the zero increase number of mills for a school district, the amount of property tax revenue from the property tax levy in taxable year 2012 must be recalculated by reducing the 2012 mill rate of the school district by the lesser of: 50 mills; or the 2012 general fund mill rate of the school district minus 60 mills.
- Amends § 57-20-07.1 to require that the form of the real estate tax statement to be used in every county must be prescribed and approved for use by the tax commissioner. The statement must provide information identifying the property tax savings provided by the state of North Dakota. The tax statement must include a line item that is entitled "legislative tax relief" and identifies the dollar amount of property tax savings realized by the taxpayer under ch.15.1-27 and under § 57-20-07.2. Legislative relief is determined by multiplying the taxable value for the taxable year for each parcel shown on the tax statement by the number of mills of mill levy reduction grant under ch. 57-64 for the 2012 taxable year plus the number of mills determined by subtracting from the 2012 taxable year mill rate of the school district in which the parcel is located the lesser of: 50 mills; or the 2012 taxable year mill rate of the school district minus 60 mills.
- Creates § 57-20-07.2. Provides that the owner of taxable property is entitled to a 12 percent credit against property taxes levied against the total amount of property or mobile home taxes in dollars levied against the taxable value of the property. The owner, operator, or lessee of railroad property assessed by the state board of equalization under ch. 57-05 or public utility property assessed by the state board of equalization under ch. 57-06 is entitled to 12 percent credit.
- The owner, operator, or lessee of air carrier property assessed and taxed under ch. 57-32 is entitled to 12 percent credit. The credit for each air transportation company must be allocated to each city or municipal airport authority where that company makes regularly scheduled landings, in the same manner as the tax collected from that company is allocated.

- The tax commissioner shall estimate the amount necessary to provide each county advance payment of 75 percent of the amount the county and taxing districts in the county will ultimately receive for a taxable year under this section and certify the estimated amounts to the state treasurer by March 15 for transfer by April 1 to the county treasurer and distribution to the county and taxing districts.
- The tax commissioner shall certify to the state treasurer for payment, by June 1, the amount determined for each county under this subsection. The tax commissioner shall reduce the June certification of payments to reflect the April estimated payments previously made to counties.
- Upon receipt of each payment from the state treasurer, the county treasurer shall apportion and distribute it to the county and taxing districts on the basis on which the general real estate tax for the preceding year is apportioned and distributed.
- The tax commissioner shall certify to the state treasurer necessary supplemental payments or returns.
- The property tax credit does not apply to any property subject to in-lieu taxes, other than mobile homes.
- Amends § 57-20-09 to provide that the discount for early payment applies after deduction of any credit allowed under § 57-20-07.2.
- Amends § 57-20-21.1 to provide that payments of state-paid property tax relief credit made by the state must be applied to taxes for the year for which the state-paid property tax relief is granted.
- Requires that before January 1, 2014, the tax commissioner shall report to the legislative management on the development of rules for detailed and efficient administration of § 57-01-05 regarding supervision of assessment officials.
- Appropriates \$200,000,000 for the purpose of state-paid property tax relief credits under section 57-20-07.2 for the biennium beginning July 1, 2013, and ending June 30, 2015.
- Directs legislative management to consider studying development of standard procedures and classification of accounts to provide a means of accumulating financial information that will be uniform for all counties, regardless of their size or various approaches to budgeting and accounting that may be in use, with the objective of achieving uniformity of financial information to guide preparation of financial reports required by law and preparation of management reports on county government performance.
- Directs legislative management to study controlling the growth of property tax levies.
- Effective date: January 1, 2013. Sections 4 5, and 6 are effective for taxable years 2013 and 2014.

**SB 2180. Creates a new section to ch. 58-03.**

- Requires a township that issues building permits to respond to a building permit application within 60 days either by approving the application and delivering the building permit or by providing the applicant written notice of the grounds for rejection of the application.
- If the building or structure for which a permit is requested meets all applicable zoning regulations and the board of township supervisors or other appropriate official fails to respond as required, the application is deemed to be approved. This information must be included on the township's building permit application form. The township shall return any permit fee submitted with the application.
- Upon receipt of a building permit application, a township shall note on the application the date of receipt and shall provide a copy of the submitted application to the applicant with the date of receipt noted.
- Effective August 1, 2013.

**SB 2229. Amends § 15.1-09-58.**

- Provides that a school district may establish an early childhood education program and may support that program with:
  - Local tax revenues, other than those necessary to support the district's kindergarten program and the provision of elementary and high school educational services; and
  - State moneys and federal funds specifically appropriated for the program, and gifts, grants, and donations.
- There is no specific mill levy included for the purpose.
- Effective August 1, 2013.

**SB 2279. Study.**

- Directs the legislative management to consider studying the benefits and implications on tax policy of the forestry (sic) stewardship tax. This study was chosen by legislative management.
- Effective August 1, 2013.

**SB 2314. Amends § 40-57.1-03 concerning new and expanding business property tax exemptions.**

- Before a municipality may grant a property tax exemption under § 40-57.1-03, the project must be certified as a primary sector business by the Commerce Department.
- A city or county with fewer than 40,000 population may grant an exemption to a project operating in the retail sector if the governing body has obtained approval from a majority of the qualified electors voting on the question at a city or county election held in conjunction with a statewide general election and if that governing body has established by resolution or ordinance the criteria that will be applied by the governing body to determine whether it is appropriate to grant an exemption for a project operating in the retail sector. Minimum criteria are specified in subsection 1 of § 40-57.1-03. A city or county may not supersede or expand the provisions of this section under home rule authority.
- Required study: During the 2013-2014 interim, the legislative management shall study methods to assure that an accurate and reliable means is developed to measure effectiveness and accountability of property tax exemptions and other economic development incentives granted by cities and counties and to determine whether other taxpayers in the city or county ultimately derive a measureable benefit from granting of the incentives.
- Effective for property tax exemptions that initially become effective for taxable years beginning after December 31, 2014.

**SB 2338. Exemption and in-lieu payments for affordable housing.**

- Deletes subdivision b. of subsection 8 of § 57-02-08 that excluded from exemption residential rental units leased to tenants based on income levels that enable the owner to receive a federal low income housing income tax credit.
- Creates a new subsection to § 57-02-08 that exempts from taxation all residential rental property, inclusive of land and administrative and auxiliary buildings, used as affordable housing for the property's period of affordability.
- The property is exempt under this section if the housing finance agency certifies to the county director of tax equalization that on January 1, 2013, or thereafter, the residential rental property complies with the following:
  - (1) The property is subject to and in compliance with a land use restriction agreement that enumerates the mandatory income and rent restrictions;
  - (2) The property is owned by a qualified nonprofit entity, as defined in section 2 of the Internal Revenue Code [26 U.S.C. 421]. If under a partnership agreement or other legally enforceable instrument, a for-profit entity, such as a limited partner, has an ownership interest in the property, then the agreement must provide that the nonprofit entity must have the right of first refusal in any transfer of the ownership interest in the property. The partnership agreement or other legally enforceable instrument also must provide that any transfer of the ownership interest by the for-profit entity must be without financial gain; and
  - (3) The general partner or other ownership entity is owned or controlled by a nonprofit entity or a political subdivision.
- For projects beginning after December 31, 2012, the exemption begins for the first taxable year after the owners of the project receive a building permit.
- If part of the residential rental property is not eligible to receive assistance through local, state, or federal affordable housing programs, the exemption is calculated by dividing the number of income and rent-restricted units by the total number of rental units.
- In lieu of ad valorem taxes, the project owners shall make a payment equal to 5 percent of the balance of the total annual rents collected during the preceding calendar year minus the utility costs for the property paid by the owner of the property.

- If a property fails to comply with the requirements of § 57-02-08, or fails to comply with rent and household income restrictions under a local, state, or federal affordable housing program, on or before March 15 of each calendar year, the housing finance agency shall notify the director of tax equalization and the state supervisor of assessments that the property is no longer eligible for the exemption.
- For purposes of this subsection, “affordable housing” includes property eligible for or receiving assistance through a local, state, or federal affordable housing program and in which rent and household income restrictions apply, and which is owned by nonprofit entities for the purpose of providing affordable housing. Affordable housing is limited to residential rental property owned by or with a controlling ownership or management interest by an organization organized and operated exclusively for exempt purposes set forth in section 501(c)(3) of the Internal Revenue Code [26 U.S.C. 501(c)(3)].
- Effective date: January 1, 2013.

**HCR 3006. Resolution.**

- A resolution that a new section to article X of the Constitution of North Dakota be created and submitted to the qualified electors of North Dakota at the general election to be held in 2014.
- “The state and any county, township, city, or any other political subdivision of the state may not impose any mortgage taxes or any sales or transfer taxes on the mortgage or transfer of real property.”
- Effective date: NA.

**HCR 3019. Resolution.**

- A resolution that the Legislative Management study the property tax system.
- Effective date: NA.

**Electronic Newsletter**

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