



Property Tax Newsletter

News and developments

A publication of the Property Tax Division

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Tax Commissioner

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2005 Property Tax Legislation

The following summary describes 2005 legislative changes that affect real property assessments and taxation in North Dakota. Note the effective date listed beside each bill number.

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HB 1154

Effective July 1, 2005

• This is the education funding bill. Section 12 provides that the mill levy deduction in § 15.1-27-05, which is referred to in North Dakota Century Code (N.D.C.C.) § 57-15-14(3), is increased to 38 mills. Beginning July 1, 2006, and each year thereafter, the mill levy deduction must be increased by three over the number of mills used in the previous year. Section 12 is effective July 1, 2005.

HB 1169

Effective August 1, 2005

• Creates the North Dakota transmission authority. Section 12 of this Act provides that transmission facilities built under this Act are exempt from property taxes for a period determined by the authority not to exceed the first five taxable years of operation. After the initial period, transmission lines of 230 kv or larger and associated transmission substations remain exempt from property taxes but are subject to a per mile tax at the full per mile rate and subject to the same manner of imposition and allocation as the per mile tax imposed by subsection 2 of § 57-33.1-02 without application of the discounts provided in that subsection.

HB 1175

Effective August 1, 2005

• Amends § 11-13-12 to require the county auditor to certify if there is an unsatisfied lien for homestead credit for special assessments created under § 57-02-08.3 against land described in a deed, contract for deed, or patent presented for transfer. Requires the county auditor to certify if there is an unsatisfied lien for homestead credit for special assessments against land in a plat, replat, auditor’s lot, or any instrument that changes the current property description, including condominium ownership established under ch. 47-04.1, that is presented to the county auditor for transfer.

• Amends §§ 11-18-02 and 57-02-08.3(3) to provide that the recorder may not record any deed for property on which the county auditor has determined that there is an unsatisfied lien created under § 57-02-08.3.

• Amends § 40-63-05 to clarify that a renaissance zone property tax exemption may not extend beyond five taxable years following the date of purchase or completion of rehabilitation.

• Amends § 57-02-01(4) to include railroad property in the definition of centrally assessed property.

• Amends § 57-06-19 to provide that the tax commissioner shall certify the true and full value of centrally assessed companies’ property to county auditors. Repeals the requirement that the tax commissioner certify the number of miles of line, valuation per mile, and total valuation of any property constituting a single and continuous line within each taxing district in each county.



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- Amends § 57-12-09 to provide that an assessor must send a notice of increase to a property owner when the increase in valuation is 15 percent or more and the increase in true and full value is \$3,000 or more over the last assessment.
- Amends § 57-14-08 to require a special assessor to send a notice of increase to a property owner when the increase in valuation is 15 percent or more and the increase in true and full value is \$3,000 or more over the last assessment.
- Amends § 57-55-01 to define “utility services” as services purchased by the occupant from a utility company under the jurisdiction of the public service commission, a rural electric cooperative, or a political subdivision of the state.
- Repeals §§ 57-06-17 and 57-45-03.

HB 1182

Effective July 1, 2005

- Amends § 57-15-28.1(2). Provides that a political subdivision, other than a school district or park district, may use all or part of the levy for an insurance reserve fund and the insurance reserve fund for payment of workforce safety and insurance contributions, premiums, judgments, and claims of the political subdivision. Effective for taxable years beginning after December 31, 2004.

HB 1197

Effective July 1, 2005

- Amends § 11-23-05 to require the board of county commissioners to determine the amount of taxes that shall be levied for county purposes and levy all such taxes in specific amounts on or before the October meeting required by § 11-11-05.

HB 1203

Effective date January 1, 2006

- Requires a recipient to enter into a business incentive agreement with each grantor of a business incentive granted by the state or a political subdivision. Provides a penalty for a recipient that fails to meet goals. Provides for modification of goals.
- Requires each state grantor to use recipient report forms created by the Department of Commerce to monitor the progress of each state grantor recipient in achieving business incentive agreement goals. Provides that a state grantor recipient must file an annual report beginning March 1, 2007. Provides a penalty for failure to file. Provides that a state grantor must file a copy of each completed recipient report with the Department of Commerce.
- Provides that each state agency that has granted a business incentive within the last five calendar years shall file an annual state grantor report with the Department of Commerce on a form created by the Department of Commerce.
- Provides that a political subdivision shall maintain records of business incentives provided to recipients and prepare an annual political subdivision grantor report. Does not prescribe a form for the report and does not require filing of the report.
- Recommends two legislative council interim studies.

HB 1263

Effective July 1, 2005

- Amends § 57-15-17.1 to change the stated purpose of the 15-mill levy for “removal of asbestos or lead paint” to “abatement or removal of mercury and other hazardous substances” from school buildings, and for any repair, replacement, or remodeling that results from the abatement or removal of such substances.
- Changes the name of the fund to the mercury and hazardous substance abatement or removal fund.
- Provides the Act is effective for taxable years beginning after December 31, 2004. Any funds remaining in the asbestos and lead paint abatement fund must be transferred to the mercury and hazardous substance abatement or removal fund, but any funds remain obligated for payment of principal and interest of any bonds for which the funds were obliged before the transfer.

HB 1203
“Provides that a political subdivision shall maintain records of business incentives provided to recipients and prepare an annual political subdivision grantor report.”

HB 1268**Effective July 1, 2005**

- Amends § 57-39.2-04.2 to define “environmental upgrade” and “repowering”; provides that sales of environmental upgrade equipment used exclusively in power plants or repowering existing power plants are exempt from sales tax.
- Amends § 57-40.2-04.2 to provide exemption from use tax similar to the exemption from sales tax.
- Amends § 57-60-01(3) to expand the definition of “coal conversion facility” to include a gas-fired electrical generating facility, and all additions to the facility, which generates electrical power through the consumption of gas produced by the conversion of lignite from its natural form into gas and has a capacity of ten thousand kilowatts or more.
- Adds a new subsection to § 57-60-01 to define “repowering”.
- Amends § 57-60-02 to make the five-year exemption from the state’s 85 percent portion of the nameplate tax available to plants that completed repowering for five years from the date of first taxable production after repowering. Provides that the board of county commissioners may grant partial or complete exemption from the county 15 percent of the nameplate tax to plants that completed repowering. Provides that a plant that completed repowering is exempt from the tax on production for five years from the date of first taxable production after repowering.
- Provides that if a county grants an exemption to a specific coal conversion facility under this section, the provisions of § 57-60-14(2) do not apply relating to revenue from that specific coal conversion facility.

HB 1333**Effective August 1, 2005**

- Amends § 57-05-11 to limit confidentiality of railroad documents and information to class II and class III railroads. This section no longer applies to class I railroads.

HB 1354**Effective July 1, 2005**

- Amends § 57-15-06.7(18) to provide that a county levying a tax for a county veterans’ service officer’s salary, traveling, and office expenses in accordance with § 57-15-06.4 may levy a tax not exceeding two mills. Effective for taxable years beginning after December 31, 2004.

HB 1398**Effective date July 1, 2005**

- Amends § 57-15-06.6 to provide that the tax levied under § 57-15-06.7(19.1) may be used for the purpose of contracting services from another public or private entity.
- Amends § 57-15-06.7(19.1) to allow a county levying a tax for regional or county corrections centers according to § 57-15-06.6 to levy a tax not exceeding 10 mills.

HB 1399**Effective March 16, 2005**

- Amends § 61-16.1-09.1. Provides that revenue from an assessment made under this section may not be used for construction of a drain or reconstruction or maintenance of an existing assessment drain. If a project will benefit lands outside water resource district boundaries, the board shall provide notice to the water resource district where the benefited lands are located. The board of each water district containing lands benefited by the project must approve the project and assessment by a vote of two-thirds of its members. The board of county commissioners in each county that contains lands benefited by a project must approve and levy the assessment by a two-thirds vote. If a project and assessment is not approved by all affected water resource boards and county commission boards, the boards shall meet to ensure that all common water management problems are resolved. The water resource board that undertakes the project may proceed with the project if the board finances the cost of the project and does not assess land outside the boundaries of the district.
- Before an assessment may be levied under this section, a public hearing must be held and attended by a quorum of the affected water resource boards and a quorum of the affected boards of county commissioners.
- This is an emergency measure.

HB 1399
“Before an assessment may be levied under this section, a public hearing must be held and attended by a quorum of the affected water resource boards and a quorum of the affected boards of county commissioners.”

SB 2157
"Increases the amount of homestead valuation that may be excluded from the asset test for homeowners."

HB 1517

Effective August 1, 2005

- Amends § 57-02-01(1) to provide that agricultural property includes land on which a greenhouse or other building is located if the land is used for a nursery or other purpose associated with the operation of the greenhouse.
- Amends § 57-02-08(15) to provide that "Farm buildings and improvements" includes a greenhouse or other building used primarily for the growing of horticultural or nursery products from seed, cuttings, or roots, if not used on more than an occasional basis for a showroom for the retail sale of horticultural or nursery products. A greenhouse or building used primarily for display and sale of grown horticultural or nursery products is not a farm building or improvement.
- Effective for taxable years beginning after December 31, 2004.

SB 2018

Effective July 1, 2005

- Provides appropriations for the department of commerce and various agencies, and includes many other provisions. Sections of interest to the tax department are section 24 and section 43.
- Section 24 directs the tax commissioner to conduct an audit of the ethanol production incentive program during the 2005-2007 biennium.
- Section 43 amends § 57-02-27.3 to provide that a centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kw or more, for which a purchased power agreement has been executed after April 30, 2005, and before January 1, 2006, and construction is begun after April 30, 2005, and before July 1, 2006, must be valued at 1½ percent of assessed value to determine taxable valuation of the property. This reduced valuation applies for that property for the duration of the initial purchased power agreement for that generation unit.

SB 2058

Effective August 1, 2005

- Amends subsections 1 and 5 of § 54-06-09 and increases the motor vehicle travel reimbursement paid to state officials and state employees to 37.5 cents per mile.

SB 2065

Effective July 1, 2005

- Amends § 57-15-28.1. Provides that a county levying a tax for comprehensive health care insurance under § 52-09-08 may levy a tax not exceeding 8 mills. County may also levy up to the limitation in § 57-15-06.7(36).

SB 2157

Effective July 1, 2005

- Amends § 57-02-08.1; makes changes to the homestead credit program
- Increases maximum qualifying income for homeowners and creates new income brackets
- Increases the maximum amount of taxable value credit, by income bracket
- Increases the amount of homestead valuation that may be excluded from the asset test for homeowners
- Increases maximum qualifying income for renters
- Provides an additional \$500,000 appropriation for the 2005-2007 biennium
- Effective for taxable year 2005 for ad valorem property taxes and for taxable year 2006 for mobile homes

SB 2188

Effective July 1, 2005

- Amends subsection 4 of section 57-02-27.2 to provide that the capitalization rate may not be less than 8.9 percent for 2005 and not less than 8.3 percent for subsequent years.
- Provisions are effective for taxable years beginning after December 31, 2004.

SB 2212**Effective July 1, 2005**

- Amends § 57-15-17.1. Permits school districts to use the levy provided for in this section for the repair, replacement, or modification of any heating, ventilation, or air-conditioning systems and required ancillary systems to provide proper indoor air quality. Requires revenue accruing from the levy for those purposes to be placed in a separate fund known as the heating, ventilation, and air-conditioning upgrade fund.

SB 2227**Effective July 1, 2005**

- Amends § 23-11-01(5) to include in the definition of “city” a city with less than 5,000 population which has determined a shortage of safe or sanitary dwelling accommodations in the city, for the purpose of declaring a housing authority necessary.
- Provides the term “housing project” includes providing or assisting in providing housing and related facilities for persons of moderate income.
- Defines “persons of moderate income” as individuals or families whose income is not adequate without governmental assistance to cause private enterprise to provide a substantial supply of decent, safe, and sanitary housing at rents or prices within their financial means.
- Extends powers of a housing authority to the problem of providing dwelling accommodations for persons of moderate income.
- Gives a housing authority power to develop a plan to divest the authority’s ownership as soon as it was no longer necessary for accomplishing public purposes.
- Provides that a housing authority may lease accommodations to persons of moderate income.
- Contains several provisions relating to bonding.
- Provides that, notwithstanding any other provision of law, the property of an authority used for moderate income housing is exempt from all taxes of the state or any political subdivision except special assessments unless specifically exempted from the special assessment by the political subdivision. There is no payment-in-lieu provision for moderate income housing (such as there is for low income housing).

SB 2246**Effective April 6, 2005**

- Amends § 39-18-03.2 to provide that, in lieu of the provision for exemption of a park model trailer located in a trailer park or campground, upon request of the owner of a park model trailer, the Department of Transportation shall register the trailer as a travel trailer for a registration fee of \$20 per year. Payment of the fee qualifies the trailer for an exemption under § 57-55-10. The Department shall issue a number plate upon payment of the registration fee.

SB 2267**Effective July 1, 2005**

- Creates § 57-39.2-26.2 relating to allocation of sales, use, and motor vehicle excise tax revenues to a state matching program for senior citizen services and programs; amends § 57-15-56(5) and § 57-39.2-26 relating to a state matching program for senior citizen services and programs; and provides a continuing appropriation.
- Expresses intent of the legislative assembly that counties or cities allocate an amount equal to 1/3 mill of property tax revenue from their general fund or state aid distribution for senior citizen services and programs for each taxable year. A county is not required to provide the 1/3 mill matching funds if the county program can be covered with funding from the state and the county mill levy for senior citizens.
- Amends § 57-39.2-26 to make exceptions for the distributions required by § 57-39-26.1 (sic) and § 57-39.2-26.2.
- Section 57-39.2-26.2 requires that a portion of sales, use, and motor vehicle excise tax collections equal to the amount of revenue that would have been generated by a levy of 2/3 mill on the taxable valuation of all property in the state subject to a levy under § 57-15-56 in the previous taxable year

SB 2227
"Extends powers of a housing authority to the problem of providing dwelling accommodations for persons of moderate income."

must be deposited in the senior citizen services and programs fund during the period from July 1 through December 31 of each year. The state tax commissioner shall certify to the state treasurer the portion of sales, use, and motor vehicle excise tax revenues which must be deposited in the fund as determined under this section.

SB 2272

Effective August 1, 2005

- Directs the Legislative Council to consider studying circumstances in which property should cease to be considered agricultural property for property tax purposes.
- Directs the Legislative Council to consider studying issues related to transferability of income tax credits for installation of geothermal, solar, or wind energy devices.

SB 2275

Effective July 1, 2005

- Amends § 23-35-05(3). Provides that when two or more health districts merge into a single health district, if one or more of the combining entities was previously levying more than 5 mills, the mill levy for property within the former entity that was levying more than 5 mills may not exceed the cap, expressed in mills, as previously authorized for that entity.
- Amends § 23-35-07(1). Makes an exception to the method of prorating a health district's budget among counties to account for the provisions of § 23-35-05(3).

SB 2324

Effective July 1, 2005

- Amends § 40-49.1-03(3) to provide that a combined board of park commissioners, resulting from a combination of boards of city and county park commissioners, may levy taxes within the portion of the combined district outside city limits within the limitations provided by law for a board of county park commissioners.
- Provides that a combined board of park commissioners may levy taxes within the portion of the combined park district that is within city limits within the limitations provided by law for city park districts.
- Effective for taxable years beginning after December 31, 2005.

SB 2404

Effective August 1, 2005

- Directs the legislative council to study enhanced funding for elementary and secondary education and methods, including sales tax, income tax, and tax exemptions, by which the state's reliance on property taxes to fund elementary and secondary education could be reduced. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixtieth Legislative Assembly.

SB 2411

Effective July 1, 2005

- Amends § 40-38-11(5) relating to property tax levies by joint public library services by cities and counties.
- Provides that taxes within the service area which is outside city limits may be levied within the limitations and according to the procedures provided by law for a county library fund levy.
- Provides that taxes within the service area that is within city limits may be levied within the limitations and according to the procedures provided by law for a city library fund levy.
- Effective for taxable years beginning after December 31, 2004.

SCR 4009

Effective August 1, 2005

- Directs the Legislative Council to study school district and library funding sources to determine if a method can be found which would provide an incentive to reduce school district property tax levies. The Legislative Council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixtieth Legislative Assembly.

SB 2272
"Directs the Legislative Council to consider studying circumstances in which property should cease to be considered agricultural property for property tax purposes."

SCR 4010**Effective August 1, 2005**

•Directs the Legislative Council to study alternatives to the current method of expressing property tax levies in mills per dollar of taxable valuation. The Legislative Council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixtieth Legislative Assembly.

SCR 4011**Effective August 1, 2005**

•Directs the Legislative Council to study the assessment and taxation of mobile homes and similar housing alternatives with an emphasis on making assessment and taxation of those housing alternatives equitable in comparison with assessment and taxation of traditional residential housing. The Legislative Council shall reports its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixtieth Legislative Assembly.

SCR 4039**Effective August 1, 2005**

•Directs the Legislative Council to study state and local taxes and other funding sources that may be used to more equitably spread the responsibility for funding elementary and secondary education, reduce reliance on property tax revenue and ensure the property tax relief is permanent, and enhance equity and adequacy of funding for elementary and secondary education.

•Provides that the interim committee to which the Legislative Council assigns this study may adopt and forward to the Legislative Council proposed legislation without committee recommendation.

•Requires that the Legislative Council report its findings and recommendations, together with any legislation required to implement the recommendations, to the Sixtieth Legislative Assembly.

Property Tax Division personnel will revise property tax forms, guidelines, brochures and the Schedule of Mill Levy Limitations to reflect changes made by the 2005 North Dakota Legislature, and will notify assessment personnel when updated information is available on the web site of the Office of State Tax Commissioner.

Anyone having questions or concerns about implementation of any of the 2005 legislation, please contact the Property Tax Division. 

Appraisal Education Available in Minnesota

The University of Minnesota, College of Continuing Education, is offering three appraisal courses during 2005. Upon successful completion of any of these courses, an individual is eligible for 30 hours of education credit toward attaining or maintaining certification as a Class I City Assessor or County Director of Tax Equalization. The course information is as follows:

MN Course B:	Residential Appraisal	July 25-29
MN Course H:	Techniques of Mass Appraisal	Sept. 12-16
IAAO 102:	Income Approach to Valuation	Oct. 17-21

Anyone interested in attending any of these courses should contact either Shirley Mueffelman, 612-624-4754, or Teresa Washington, 612-624-3745. 

Property Taxation Manual

The Property Taxation Manual was developed many years ago as a reference source for assessment officials. The manual is available to county auditors, directors of tax equalization and class I city assessors. The Property Tax Division updates the manual periodically as new information becomes available.

"The Property Taxation Manual was developed many years ago as a reference source for assessment officials."

Section C of the Property Taxation Manual contains decisions of the North Dakota Supreme Court pertaining to real property assessment issues. Section C consists of an Index to North Dakota Supreme Court Decisions and also copies of ND Supreme Court decisions. The index was last updated in 2000 and contains a listing, by statute, of various decisions issued and the corresponding page numbers. Pages in Section C are listed as C-1 through C-124. 

Keeping Up With Market Trends

Many assessment officials have indicated the necessity of increasing market values of residential property and even some commercial property for 2005, particularly in and around the major cities.

Assessment officials (assessors and boards of equalization) are required by law to determine true and full values of residential and commercial property according to current market value on February 1 each year. They should use recent arms-length transactions to indicate the direction of market value for similar properties that have not sold. Assessors and boards of equalization who closely monitor sales each year and use those sales to indicate market value typically do not need to make significant changes in one year.

Equalization of values is an important key to proper assessments. For example, when older and smaller residential properties aren't reviewed periodically and revalued to reflect proper depreciation, those property assessments typically reflect values higher than what buyers are willing to pay for those properties. If assessments aren't corrected locally by the assessor or local board of equalization and either the county or State Board of Equalization needs to order a percentage change in assessments, inequitable assessments are not corrected, only exaggerated.

The State Supervisor of Assessments urges assessors and boards of equalization to monitor the market closely, especially in times of rapid changes, and make the necessary changes on an annual basis. 

Lists

The Property Tax Division maintains lists of names, phone numbers, mail delivery and email addresses of county directors of tax equalization, auditors, treasurers, recorders and also class I city assessors. If anyone would like to obtain a current list of any of these officials, please contact Judy Brosz.

Many counties and cities have developed web sites. Please notify the Property Tax Division of the web site for your governmental entity. This office will develop a list and make it available upon request.

If you do not see a specific item listed on the web site for the Office of State Tax Commissioner and would like to have it available there, please contact personnel of the Property Tax Division. 

Electronic Newsletter

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