State Board of Equalization  
August 14, 2018

The State Board of Equalization met in the Brynhild Haugland Room of the North Dakota State Capitol, Tuesday, August 14, 2018.

The following members were present:
 Governor Doug Burgum, Chairperson  
Kelly Schmidt, State Treasurer  
Joshua Gallion, State Auditor  
Doug Goehring, Commissioner of Agriculture  
Ryan Rauschenberger, Tax Commissioner and  
Secretary of the State Board of Equalization

It was moved by Commissioner Goehring and seconded by Treasurer Schmidt to approve the minutes of the July 10 and 17 meetings. Upon voice vote, all participating members voted “aye.” Motion carried.

Commissioner Rauschenberger went through procedural items. He explained that there will not be any action taken by the board today regarding the appeals. Individual investigations for the appeals presented and tolerance issues set before the board today will be assigned to the property tax division staff following the meeting.

The meeting was turned over to Linda Leadbetter, State Supervisor of Assessments. Ms. Leadbetter reviewed the tolerance level adopted for use by the State Board of Equalization for locally assessed property. The tolerance level was established as 90 to 100 percent. She reviewed the tolerance level document and sales ratio study that have been made available electronically to the board. Counties not in tolerance are: Barnes, Cavalier, Foster, Grant, LaMoure, Pembina, Richland, Sioux and Steele. Ms. Leadbetter explained that the property tax division will work to address the assessment issues with those jurisdictions. Ms. Leadbetter provided an opportunity for representatives from counties out of tolerance to present information to the board. With no response, the board moved forward hearing individual appeals.

First appeal will be Cavalier County, Tom Valentine, Freemont Township. Mr. Valentine stated interpretation of rules need to be clearer. His concerns were inaccuracy of numbers, soil types need to be straightened out and equal, farm site land values, tree belt value per acre, and CRP and WRP need clarification as WRP is not assessed as cropland.

Hettinger County, Mike Schatz of New England. Mr. Schatz requested to lower the assessed property value on his residence based on recent sales in New England. He believes the document provided reveals an adjoining property was over appraised by 93,600 T & F value or 38%. Mr. Schatz wants property value to be reduced by same percentage for 2016, 2017 and 2018.
Governor Burgum asked when Vanguard was hired to perform the assessment in Hettinger County. Mike Schatz responded that Vanguard was hired in 2014 or 2015 by the county.

Commissioner Goehring questioned the neighbor’s value of $93,000. Mr. Schatz responded $93,000 was the amount he believed the property to be over assessed.

Stark County, Carlos Royal of Dickinson. Mr. Royal told the Board, according to the assessor, no appraisal system is perfect even with the best models. According to two recent appraisals, Mr. Royal feels he is being over charged on his properties compared to fair market value. Mr. Royal feels this could be resolved with spot checks. He is asking for a spot check on his properties’ market value. Mr. Royal is asking for an evaluation and correction to each individual property. Mr. Royal is appealing 5 apartment complexes within Dickinson.

Commissioner Rauschenberger explained that he and the Board will review the information provided in coming weeks.

Stark County, Terrance Clement of Dickinson. Mr. Clement shared that the Dickinson City Assessor reduced assessments on two properties and the county returned it to the higher assessment. Mr. Clement stated that rents are half of what they were years ago. Mr. Clement wants the assessments reduced on four of his properties.

Governor Burgum asked to confirm that the city board of equalization reduced assessment and the county board of equalization did not.

Stark County, Joe Hirschfeld, Assessor for the City of Dickinson. Mr. Hirschfeld explained that the sales ratio analysis requires thirty sales. Most of the time Dickinson has to go back three years to get an adequate number of sales. Mr. Hirschfeld indicated that the charts show the city followed market, but is lagging a bit. The trend at the end of the chart provided, by Mr. Hirschfeld, is based off information for 2018 sales; part of next year’s study. Mr. Hirschfeld indicated that 2012-2014 sales value was much higher than assessed value.

Governor Burgum asked who requires the use of thirty sales. Mr. Hirschfeld commented that state guidelines require thirty sales for Dickinson. Last year city of Dickinson had sixteen commercial sales. He stated this is not adequate to do statistical analysis, but that he has always been able to get thirty sales within three years.

Governor Burgum asked about approach on spot checks.

Mr. Hirschfeld stated that he is not clear on the definition of spot checks and thought that is what sales ratio analysis was used to do. Dickinson has eleven sales for the 2018 year. Current sales medians are at 89%; well under market again. Last year’s seven sales were at 115% of market.
Commissioner Rauschenberger stated trend lines are typical for western cities and counties throughout the boom and bust for rising values and lowering values having that lag. Spot checks will be looked into with more detail.

Joe Hirschfeld continued to share comments regarding spot checks. He shared that he reviews information with property owner by going through the property record card. Mr. Hirschfeld indicated that often the data received is limited for the income approach.

Commissioner Goehring asked when the request for data is sent. Hirschfeld replied that the request for data was sent in January. Information has to be compiled by the property owner. Mr. Hirschfeld stated that the bulk of the requests are not returned.

Commissioner Goehring asked if there have been other concerns presented. Hirschfeld responded, in regards to this year, the two apartment owners with issues are present today.

Carlos Royal was allowed to respond to assessor comments. Mr. Royal read information regarding spot checks. He is asking for a spot check on his property. He sent in his information at the end of December. He stated his properties are over assessed and would like them corrected.

Commissioner Goehring asked if there is a standard for spot checks.

Commissioner Rauschenberger stated that the interpretation of “shall” is mandatory, but what constitutes a spot check may be unclear.

Stutsman County, Jeff Zueger of Midwest Ag Energy and Dakota Spirit Ag Energy. In 2011 Spirit Ag Energy was awarded a progressive property tax exemption. Exemption started in 2015. A third party appraisal was completed and the provided data. Mr. Zueger believes personal property was included in the assessment. Stutsman County adopted the $85 million assessment based upon sales approach. Comparisons to the Blue Flint ethanol plant in McLean County were presented.

Commissioner Goehring questioned whether the $18.9 million for Blue Flint was the assessed value or the original value. Mr. Sieger stated it was the original value in 2007; today is over $2 million. Blue Flint started in 2007 and Dakota Spirit started operation in 2015.

Stutsman County, Tyler Perleberg, Director of Tax Equalization. Mr. Perleberg submitted a letter of testimony. He shared that TY Pickett appraised property at $124 million after construction was completed. Dakota Spirit Ag disagreed with the assessment based on the interpretation of real property of the North Dakota Century Code. Third party appraiser Natwick
provided a valuation of $19.76 million. Mr. Perleberg explained that Dakota Spirit Ag cost $155 million to construct and is now requesting an assessment of $19.76 million. That 19.7 million represents only 13% of overall cost. Spiritwood Township and Stutsman County ask the Board deny the appeal and retain the $85 million market value.

Commissioner Goehring questioned the sales approach, stating that the plant in question is different from any facility in the United States. Mr. Perleberg stated that Picket did not do sales approach value, but the Natwick appraisal used the sales approach to value.

Governor Burgum asked the State Equalization Board to follow up and take a look at all approaches at all plants. A brief discussion of real property versus personal property was held.

Commissioner Rauschenberger stated this discussion has been held at other meetings with the North Dakota Association of Assessing Officers. There are different opinions of the definition of real and personal property. Guidelines were created years ago using Supreme Court guidance. The Tax Commissioner will continue to work with assessors to review this concern.

Traill County, Michael Anderson of Anderson Farms provided handout of pictures of storage facility. The grain storage facility is located in Hillsboro, North Dakota. The elevator has a total grain capacity of 310,000 bushels. Mr. Anderson indicated that the facility had not been used commercially since 1997. Mr. Anderson is requesting the property be re-categorized to agricultural from commercial.

Commissioner Goehring asked if commercial use ceased in 1997 and purchased in 2002, why did the classification not change to agricultural at that time.

Michael Anderson stated that it was an oversight on his part. As assessment has increased he became more aware of the details of the property. Mr. Anderson stated the facility is truly used for his farm and is not taking anything in commercially.

Linda Leadbetter, State Supervisor of Assessments, stated that the property tax division will review this information during the investigation and look at assessment to determine its use. Since it is in the city area and zoned, there are requirements. In order to be an agricultural building, it has to be on agricultural land. North Dakota Century Code will be used to make the determination of classification.

Barnes County, Darrel Schroeder stated he is here today to keep his home off of state tax roster.

Commissioner Goehring asked Darrel for background information.
Darrel Schroeder indicated that his rural residence was not deemed eligible for the farm residence exemption due to non-farm income. Mr. Schroeder asked when the last time the $40,000 limit was changed and encouraged the Board to look at changing this limit.

Commissioner Goehring stated the Board cannot make the change. This type of change needs to be through legislation.

Governor Burgum asked what year was the 40,000 limit. (Legal Counsel provided information to members of the board following the meeting: At today’s annual State Board of Equalization Meeting, the Governor asked when the forty thousand dollar non-farm income cutoff was enacted into N.D.C.C. § 57-02-08(15) for purposes of the farm residence exemption. That cutoff amount was enacted into law in 1997.

Previously, the non-farm income cutoff had been thirty thousand dollars (enacted in 1985). The non-farm income cutoff was first enacted into law in 1983, and was then set at twenty thousand dollars.)

Burke County, Ray Sheldon of Basin Transload and Global Companies. Mr. Sheldon filed a written appeal for parcels 47-10000 and 47-1000; stating the parcels are technically on the same property. One is owned by Basin Transload and the other owned by Global Companies. These properties were appealed last year. Mr. Sheldon questioned the real versus personal property included in the assessment. He stated that the methodology used by staff last year should be used this year with the updated information provided.

Governor Burgum asked if Basin is still shipping from this property.

Ray Sheldon commented that they are having limited trains ship recently.

Governor Burgum asked if the loading facility is viable, but not active. Mr. Sheldon agreed that the loading facility is viable and not active.

Linda Leadbetter, stated this completes list of presenters and asked for any other public comment.

Treasurer Schmidt suggested when setting up agenda for next year to have discussion on the difference between real and personal property and to work with the legislature for clarity. Treasurer Schmidt also suggested that the non-farm income of $40,000 be considered in the next legislative session.
Commissioner Rauschenberger thanked everyone for attending and explained that investigations will be performed for the tolerance level and appeals presented today. Recommendations will be provided to the State Board of Equalization at a September meeting.

Governor Burgum thanked the staff and team for coming and the discussion today. Commissioner Rauschenberger moved to adjourn. The motion was seconded by Auditor Gallion. Upon voice vote, all members voted “aye.” Motion carried.