



Assessment Department

ANNUAL REPORT

To The Fargo
City Board of Equalization

April 11, 2006

Table of Contents

<i>Overview of Assessment Function</i>	<i>Page 1</i>
<i>Property Tax Basics</i>	<i>Pages 2 & 3</i>
<i>2005 Mill Levy / Mill Levy History</i>	<i>Pages 4 & 5</i>
<i>2006 Projected Appraised Value</i>	<i>Page 6</i>
<i>2006 Exemptions</i>	<i>Page 7</i>
<i>2006 Projected Taxable Value</i>	<i>Pages 8 & 9</i>
<i>2005 Taxable Value By District(Map)</i>	<i>Page 10</i>
<i>2005 Building Permit Appraisals</i>	<i>Page 11</i>
<i>2006 Appraised Value Changes</i>	<i>Page 12</i>
<i>Traditional Tax Increment Financing</i>	<i>Page 13</i>
<i>Major Fargo Taxpayers</i>	<i>Page 14</i>
<i>North Dakota City Comparison</i>	<i>Page 15</i>
<i>Residential Property Sales</i>	<i>Page 16 – 18</i>
<i>High Property Taxes</i>	<i>Pages 19 & 20</i>
<i>City Board of Equalization Statute</i>	<i>Pages 21 & 22</i>
<i>Various ND Property Tax Statutes</i>	<i>Pages 23 & 24</i>

Overview of Assessment Function

The overall function of the Fargo Assessment Department is to maintain a record of property ownership boundaries and to appraise all property in Fargo. This encompasses many varied tasks and responsibilities but all serve that overall objective.

Property Ownership Maintenance

This is accomplished by analysis of the various instruments by which property rights may be acquired, transferred, or disposed of. This department collects all such instruments that have been legally recorded. The status of property ownership is reflected in the city on a real time basis.

Therefore, each year's tax bill for a property reflects the ownership according to the most recently recorded property transfers. Tax bills normally are sent by the Cass County Treasurer in mid-December.

Property Appraisal

Extensive analysis of the factors affecting the value of all classes of property is conducted by this department. Once the forces that affect property value are quantified, new and existing properties are appraised on an individual basis. This is done by appraising all new properties as they are constructed and periodically reappraising existing properties by type or location.

Market forces that affect the value of real estate over broad subclasses of property are dealt with by the Assessment Department through a process called *value trending*. This involves applying value changes uniformly across various classes of property based upon careful statistical analysis.

Property Taxes

Property taxes are determined by each local political body (city, county, school, etc.) by setting their budget. This determines how much revenue must come from property taxes. That amount is then levied against the total taxable value of property in Fargo. The work of the Assessment Department results in determining the distribution of each property's share of that tax burden. In order to calculate gross taxes on a property, the following formula is used:

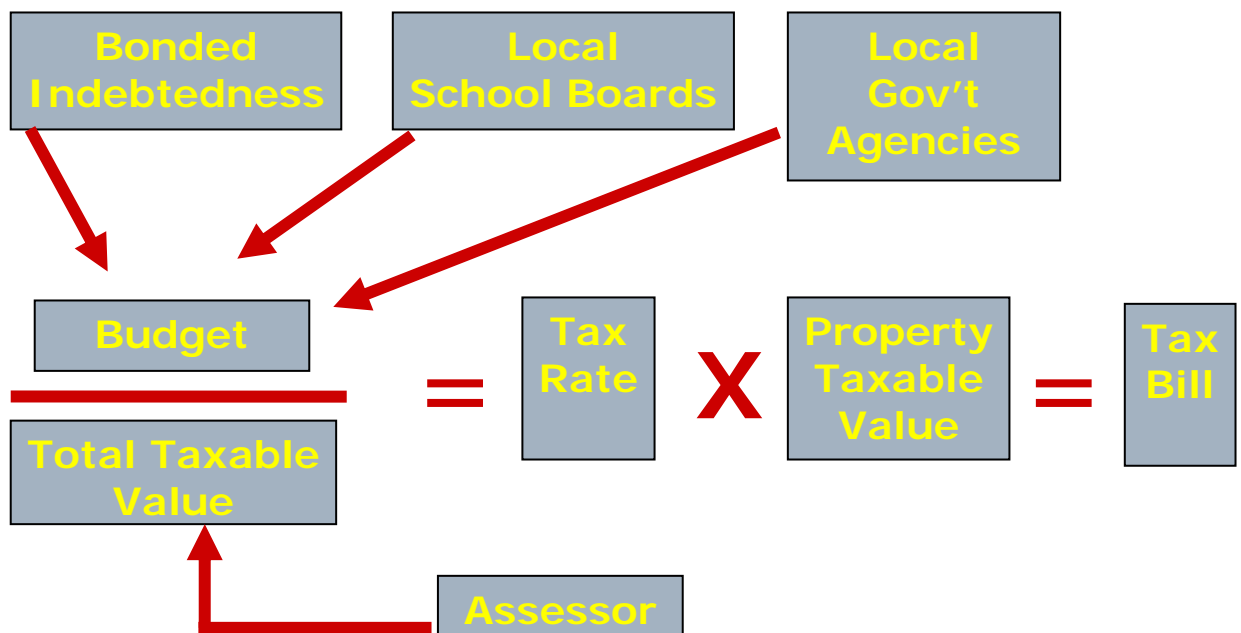
$$\text{Assessor's Value} \times \text{Assm't Ratio} \times \text{Assm't Factor} \times \text{Mill Levy} = \text{Gross Tax}$$

The Assessment Ratio is 50% for all properties. The Assessment Factor is 9% for residential and 10% for all other classes of property. The mill levy changes every year but was 480.76 mills in most of Fargo in 2005.

Property Tax Basics

The makeup of the property tax system is very simple. It contains only three primary elements: **budget**, **valuation**, and **tax**. The amount of tax to be collected is calculated by dividing the budget by the taxable valuation.

- **BUDGET**
Taxing authorities (school, city, county, etc.) approve budgets annually for services they think people want or have asked for.
- **VALUATION**
Buyers and sellers in the market create value.
Assessors study market transactions and estimate value.
- **TAXATION**
Approved budgets are divided by the total taxable value and tax rates (mill levies) are set.



Property Tax Basics

Here are a couple of basic examples of how this process works. The assumptions used in the first example are that the total amount of approved budgets in a jurisdiction is \$2,000,000 and the total taxable value of all properties is \$100,000,000. The second example assumes that property values increase and the total budget remains the same.

The following illustrates the effect on a home valued at \$100,000:

BUDGET = \$2,000,000	TAXABLE VALUE = \$100,000,000
<u>\$2,000,000</u>	= .02 (OR 2% tax rate)
\$100,000,000	
HOME VALUE = \$100,000 X .02 = \$2,000 TAX	

If property values were to increase in this example community, that in itself should not affect the amount of budget required.

The following illustrates the effect of a 50% valuation increase on property values without an increase in a community's total budget:

BUDGET = \$2,000,000	TAXABLE VALUE = \$100,000,000
<u>\$2,000,000</u>	= .0133 (OR 1.3% tax rate)
\$150,000,000	
HOME VALUE = \$150,000 X .013 = \$2,000 TAX	

2005 Mill Levy

The mill levy is calculated each year by the County Auditor, usually in late September. That levy appears on the tax bill that most property owners receive in December of the same year. The most recent bill is 2005 and the mill levies in Fargo were 480.76 in School District #1 and 416.16 in School District #6. For the most part, School District #6 is the area west of I-29. The following illustrates how that levy is broken down:

2005 MILL LEVY BREAKDOWN

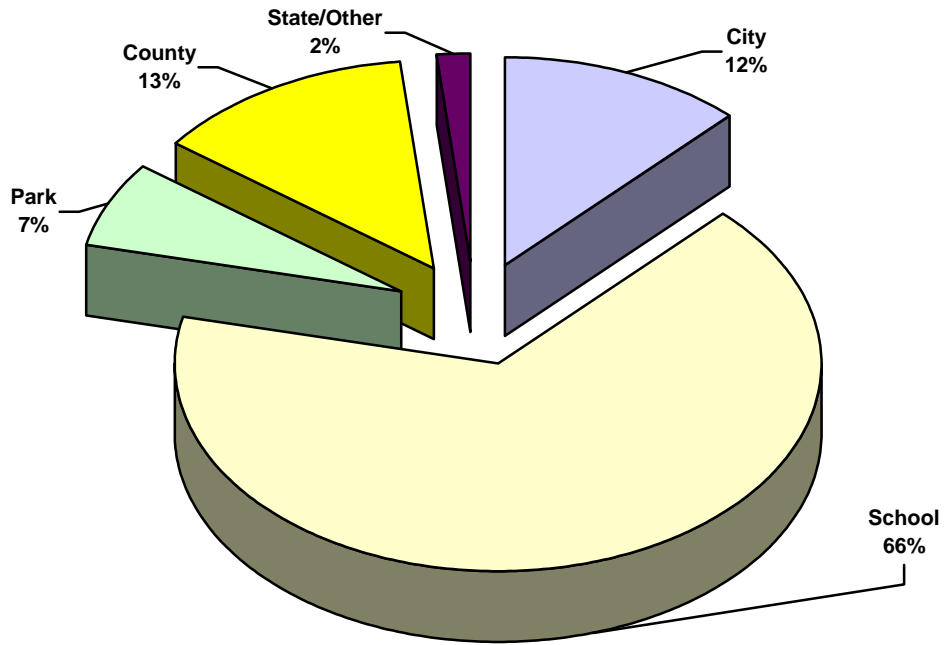
<u>School Dist #1</u>		<u>School Dist #6</u>
3.31	State/Other	3.31
62.00	Cass County	62.00
59.25	City of Fargo	59.25
32.58	Park District	32.58
318.62	School District	254.02
5.00	Water District	5.00
480.76	TOTAL	416.16

Mill Levy History School District #1 1995-2005

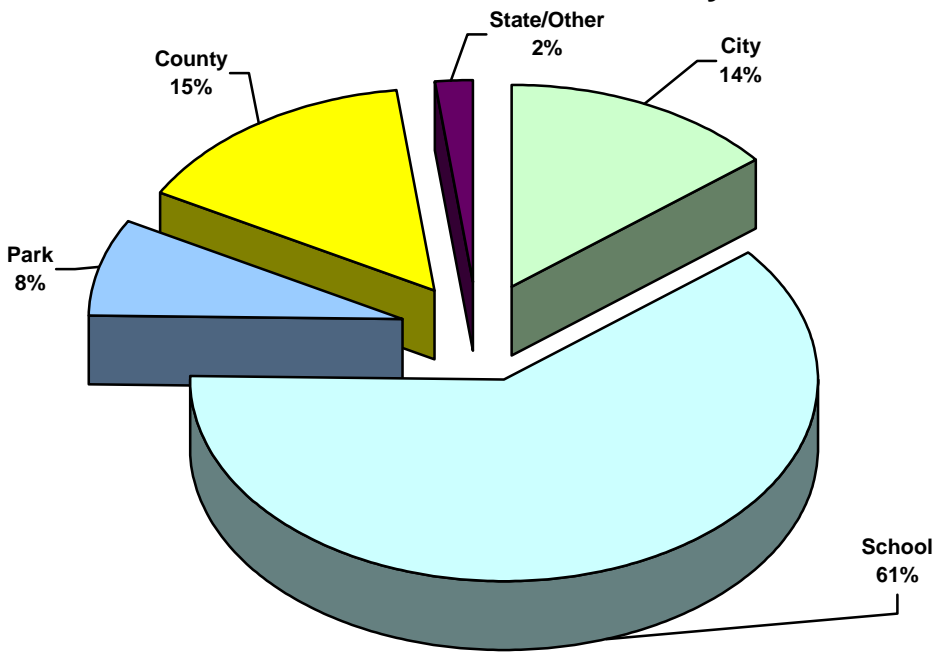
<u>YEAR</u>	<u>CITY</u>	<u>COUNTY</u>	<u>PARK</u>	<u>SCHOOL</u>	<u>OTHER</u>	<u>TOTAL</u>
1995	62.03	64.48	31.86	303.47	6.69	468.53
1996	61.56	61.49	31.61	308.39	6.55	469.60
1997	61.53	65.00	31.84	314.21	7.34	479.92
1998	61.53	69.26	32.38	322.66	7.39	493.22
1999	60.24	67.37	33.07	320.24	7.60	488.52
2000	60.31	65.37	32.67	327.40	8.00	493.75
2001	60.13	62.69	32.76	327.88	7.98	491.44
2002	60.30	65.05	32.87	323.84	7.96	490.02
2003	60.24	65.00	32.73	320.20	8.41	486.58
2004	58.73	65.00	32.46	319.55	8.32	484.06
2005	59.25	62.00	32.58	318.62	8.31	480.76

Mill Levy

2005 School Dist #1 Levy



2005 School Dist #6 Levy



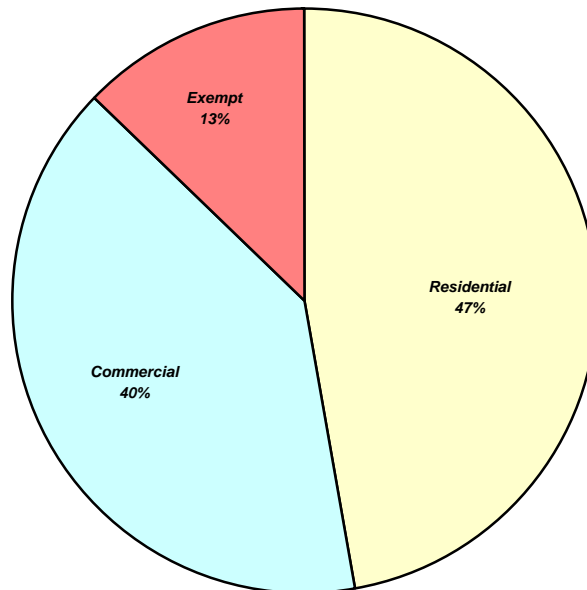
2006 Total Appraised Value

TOTAL MARKET VALUE BREAKDOWN

Class	Count	% Of Total	2006 Total Value	% Of Total
Residential	23,791	80.8%	\$ 3,233,896,750	47.18%
Commercial	4,341	14.8%	\$ 2,744,137,800	40.04%
Agricultural	119	.4%	\$ 2,077,700	.03%
Exempt	1,183	4.0%	\$ 873,814,500	12.75%
TOTAL	29,434		\$ 6,853,926,750	

*The *Exempt* property class includes hospitals, schools, government owned property, etc. These properties are not reappraised on as regular a basis as are other classes of property. Therefore, our current value on the books for these properties has been increased by 40% here to better reflect the actual value of exempt property in Fargo.

Breakdown By Value



It should be noted that the figures represented here reflect merely a snapshot of the status of property in the City of Fargo. Property ownership and valuation is always in a state of change. The Assessment Department responds to these changes on a daily basis. The numbers in this report reflect the way things are as of the date of the report. Next month, next week, or tomorrow, the figures will be different. Several figures here also represent estimates of value changes between now and September when mill levies are established. Agencies using the numbers in this report for budget purposes should consult additional sources for verification.

2006 Exempt Property

Exempt property falls into two classes in the property tax assessment roll for Fargo: *partial (or discretionary)* and *fully* exempt. Partial, or discretionary, exemptions are granted for reasons such as relief for the disabled or elderly, economic expansion, or renovation of properties. Fully exempt properties include those such as churches, schools and hospitals. Following is a breakdown of exemptions for the 2006 assessment:

<u>EXEMPTION TYPE</u>	<u># PROPERTIES</u>	<u>APPRAISED VALUE EXEMPT</u>
Fire Protection Levy		
Res School Dist #1	1	\$ 108,500
Comm School Dist #1	<u>35</u>	<u>\$ 14,787,300</u>
Sub Total	36	\$ 14,895,800
Residential New Construction		
School Dist #1	239	\$ 17,832,800
School Dist #6	<u>231</u>	<u>\$ 17,281,300</u>
Sub Total	470	\$ 35,114,100
Homestead Credit		
School Dist #1	133	\$ 6,386,300
School Dist #6	<u>1</u>	<u>\$ 54,000</u>
Sub Total	134	\$ 6,440,300
Wheelchair, Blind, Disabled Veteran		
School Dist #1	99	\$ 7,565,300
School Dist #6	<u>4</u>	<u>\$ 339,400</u>
Sub Total	103	\$ 7,904,700
Remodeling		
Res School Dist #1	102	\$ 2,100,300
Comm School Dist #6	1	\$ 4,461,300
Comm School Dist #1	<u>11</u>	<u>\$ 2,542,900</u>
Sub Total	114	\$9,104,500
New Industry & Payment In Lieu		
Comm School Dist #6	28	\$ 76,279,000
Comm School Dist #1	<u>58</u>	<u>\$ 66,030,900</u>
Sub Total	86	\$142,309,900
Tax Increment Financing		
Comm School Dist #6	1	\$ 1,389,100
Comm School Dist #1	<u>2</u>	<u>\$ 2,487,300</u>
Sub Total	3	\$ 3,876,400
Renaissance Zone		
Comm School Dist #1	41	\$ 28,575,200
Res School Dist #1	<u>45</u>	<u>\$ 13,565,900</u>
Sub Total	86	\$ 42,141,100
Daycare, Geothermal, Parking Struct., Educ. Corp., Group Homes		
Res School Dist #1	17	\$ 1,318,500
Comm School Dist #1	26	\$ 17,921,700
Comm School Dist #6	<u>2</u>	<u>\$ 1,715,300</u>
Sub Total	44	\$ 20,955,500
2006 PARTIAL EXEMPTION		
GRAND TOTAL	1,076	\$ 282,742,300
2006 FULLY EXEMPT TOTAL		
	1,183	\$ 873,814,500

2006 Fargo Taxable Valuation

The **taxable valuation** is the amount that is considered the *tax base* of the City of Fargo. This accounts for the removal of exempt amounts and represents the net assessed value of all property in the city subject to property taxation.

This amount is determined by applying an *assessment ratio* of 50% to the net appraised value of all taxable property, then a factor of 9% is applied to residential and 10% to all other property classes.

The taxable valuation multiplied by the mill levy will determine the total revenue to be received from property taxes.

The following projections of the 2006 taxable valuation of Fargo will vary somewhat from the final amount. Changes will occur between now and when the mill levy is determined in September. An amount (*Adjustments*) has been estimated to allow for those changes. Also, the figure used for *Corporations* is an estimate based upon last year's figures. Corporations are utilities such as railroads and pipelines which are assessed by the State Tax Department.

TOTAL EXPECTED 2006 TAXABLE VALUATION

<u>CLASS</u>		<u>TAXABLE VALUE</u>
Agricultural		\$ 103,885
Commercial		\$126,543,890
Residential		<u>\$142,531,544</u>
Sub Total		\$269,179,319
(less)		
Traditional Tax Increment	\$ 3,579,842	
Adjustments Estimate	<u>\$ 2,000,000</u>	
Sub Total		(\$ 5,450,997)
(add)		
Corporations Estimate		<u>\$ 3,167,673</u>

2006 PROJECTED NET TAXABLE VALUE \$266,767,150

2005 Net Taxable Valuation	\$ 244,141,153
Difference	\$ 22,625,997

Percent Increase in Taxable Value 9.3%

2006 Fargo Taxable Valuation

2006 Projected Fargo Taxable Value By School District Locally Assessed Property

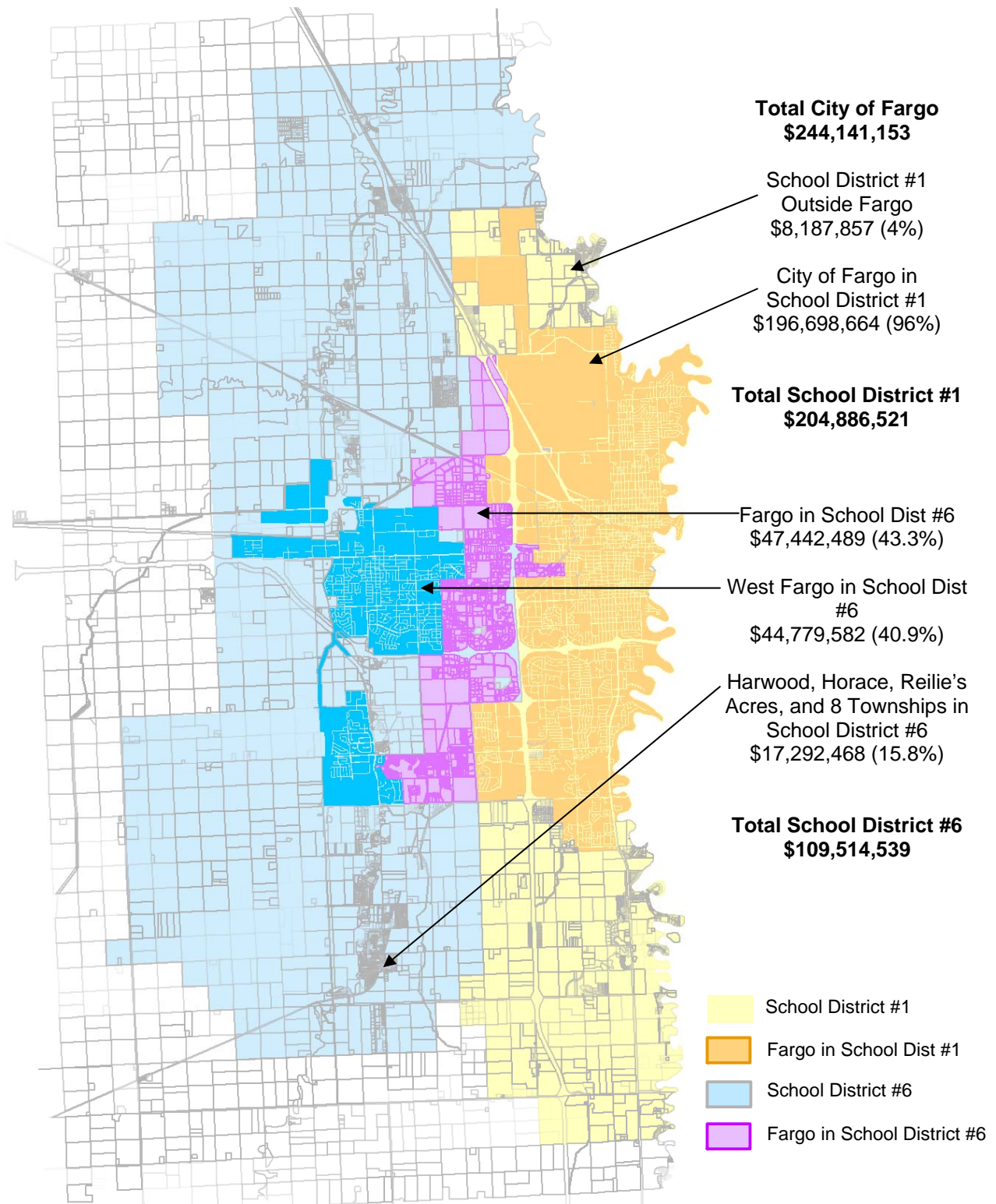
<u>CLASS</u>	<u>2006 TAXABLE</u>	<u>2005 TAXABLE</u>	<u>% CHG</u>
<i>Agricultural</i>			
School District #1	\$ 39,955	\$ 44,340	-9.9%
School District #6	\$ 63,930	\$ 68,930	-7.3%
Sub Total	\$103,885	\$113,270	-8.3%
<i>Commercial</i>			
School District #1	\$ 75,331,680	\$ 69,058,751	+9.1%
School District #6	\$ 47,701,490	\$ 42,085,955	+13.3%
Sub Total	\$123,033,170	\$111,144,706	+10.7%
<i>Residential</i>			
School District #1	\$135,297,315	\$124,705,565	+8.5%
School District #6	\$ 7,165,107	\$ 5,009,939	+43.0%
Sub Total	\$142,462,422	\$ 129,715,504	+9.8%
Total School District #1	\$ 210,668,950	\$ 193,808,656	+8.7%
Total School District #6	\$ 54,930,527	\$ 47,164,824	+16.5%
GRAND TOTAL	\$ 265,599,477	\$ 240,973,480	+10.2%

*These figures do not include homestead credit, tax increment, corporation, or projected adjustment values.

10 Year Fargo Taxable Value History

Year	Taxable Valuation	% Change
1997	\$ 140,976,020	+ 6.8%
1998	\$ 146,988,032	+ 4.3%
1999	\$ 157,790,468	+ 7.3%
2000	\$ 169,667,306	+ 7.5%
2001	\$ 183,845,794	+ 8.4%
2002	\$ 194,773,430	+ 5.9%
2003	\$ 208,083,503	+ 6.5%
2004	\$ 225,535,096	+ 8.4%
2005	\$ 244,141,153	+ 8.2%
2006 est.	\$ 266,767,150	+ 9.3%

2005 Taxable Value By Taxing District



2005 Building Permit Appraisals

Part of appraising properties for assessment purposes is to know what's out there. One of the ways to do that is to perform appraisals on all parcels of land where building permits are issued.

The numbers reflected here are a count of building permit *appraisals*, which differs from a count of actual building permits. Some permits require multiple appraisals as in the case of multiple tenant properties. Also there is a carry over from one year to the next on projects unfinished by the assessment date.

2005 Building Permit Appraisal Count

Residential New Construction	663	
Residential Renovation	<u>1,460</u>	
TOTAL RESIDENTIAL		2,123
Commercial New Construction	127	
Commercial Renovation	<u>643</u>	
TOTAL COMMERCIAL		<u>770</u>
TOTAL 2005 PERMIT APPRAISALS		2,893

2005 Building Permit Appraisal Value Summary

Commercial New Construction (Dist #1)	\$ 15,323,500	
Commercial New Construction (Dist #6)	<u>\$ 37,989,300</u>	
COMMERCIAL NEW CONSTRUCTION		\$53,312,800
Residential New Const. (Dist #1)	\$ 45,622,300	
Residential New Const. (Dist #6)	<u>\$ 40,557,800</u>	
RESIDENTIAL NEW CONSTRUCTION		<u>\$86,180,100</u>
TOTAL NEW CONSTRUCTION		\$139,492,900
Commercial Renovation (Dist #1)	\$ 22,655,600	
Commercial Renovation (Dist #6)	<u>\$ 38,630,700</u>	
COMMERCIAL RENOVATION		\$ 61,286,300
Residential Renovation (Dist #1)	\$ 8,557,500	
Residential Renovation (Dist #6)	<u>\$ 742,800</u>	
RESIDENTIAL RENOVATION		<u>\$ 9,300,300</u>
TOTAL RENOVATION		\$ 70,586,600
TOTAL PERMIT APPRAISAL VALUATION		\$ 210,079,500

2006 Appraisal Value Changes

For the 2006 assessment,

- ✓ 1,153 residential properties were completely reappraised.
- ✓ Roughly 2,700 residential bi-level property appraisals updated.
- ✓ About 450 downtown commercial property appraisals reviewed with 170 being updated.
- ✓ All townhouse style apartment project (903 total units) appraisals updated.
- ✓ 200 conversion apartment property appraisals updated.
- ✓ 28 mini storage rental unit facility property appraisals reviewed.
- ✓ Various areas of commercial land reappraised.
- ✓ 2,893 building permit appraisals were performed.

In addition, the following trending adjustments were made to property values not included in those appraisal efforts:

- 71 4-Unit Apartment Properties Were Trended +10%
- 246 Apartment Properties Were Trended +3%
- 451 Apartment Properties Were Trended +5%
- 1,897 Commercial Properties Were Trended +2%

RESIDENTIAL PROPERTY VALUE TRENDING

TYPE	STORY HEIGHT	YEAR BUILT	TRENDING	# PROP
Single Family	1 Story	1920-1947	+5%	804
Single Family	1 Story	1948-1955	+7%	1,465
Single Family	1 Story	1956-1974	+5%	2,265
Single Family	1 Story	1975-1982	+7%	448
Single Family	1 Story w/ Attic	1920-1932	+5%	169
Single Family	1 Story w/ Attic	1948-1955	+5%	58
Single Family	1½ Story	Up to 1932	+7%	797
Single Family	1½ Story	1948-1964	+7%	272
Single Family	1½ Story	1965-1982	+5%	46
Single Family	Split Level	1956-1990	+7%	812
Single Family	Split Level	1991-2004	+5%	377
Single Family	2 Story	Up to 1919	+7%	665
Single Family	2 Story	1933-1955	+7%	96
Single Family	2 Story	1965-2004	+5%	1,025
Duplex	All Story Heights	1920-2004	+10%	375
Tri-Plex	All Story Heights	All Ages	+10%	119
Twinhome	1 Story	All Ages	+5%	416
Twinhome	All Except 1 Story	Up to 1990	+7%	514
Apt Style Condos	All Story Heights	Up to 1990	+8%	1,352
Townhome	All Except 2 Story	All Ages	+8%	548
Townhome	2 Story	Up to 1990	+8%	350
Townhome	2 Story Split Level	All Ages	+8%	8
			Total	12,981

SALES RATIO	Before Trending	After Trending
Residential	90.6%	97.2%
Commercial	92.9%	100.1%

2006 Traditional Tax Increment Financing

The traditional method of granting tax increment financing is one where the properties pay the total amount of tax each year. The increment to amortize the granted amount (usually done by selling bonds) is determined by taking the difference between the total tax, based on the current value, and the tax on a “base year” value. The base year value is normally the value of the property prior to any development at the time the tax increment financing was approved.

The following is the breakdown of the current traditional tax increment financing projects in Fargo. The tax amounts shown are estimates based on current 2006 valuations and the most recent (2005) mill levy.

The “Base Tax” is the estimated amount to be distributed to the taxing entities. The “Increment Tax” is the amount estimated to be placed in a fund to amortize the increment financing.

Project	Current Value	Base Value	Total Tax*	Base Tax*	Increment Tax*
Dakota Bank	\$16,869,100	\$2,846,200	\$385,224	\$64,996	\$320,228
Radisson Hotel	\$9,134,800	\$821,205	\$208,603	\$18,753	\$189,850
Great Northern	\$1,532,400	\$298,700	\$34,994	\$6,821	\$28,173
Dale Properties	\$22,140,700	\$1,929,144	\$500,888	\$41,001	\$459,891
Matrix Properties	\$19,178,700	\$366,000	\$379,117	\$7,235	\$371,882
Horse Park	\$375,000	\$85,800	\$7,413	\$1,696	\$5,717
Service Oil	\$5,692,400	\$209,000	\$129,992	\$4,773	\$125,219
Scattered	\$1,376,400	\$570,133	\$28,288	\$11,718	\$16,572
Fayland Properties	\$2,680,900	\$104,000	\$52,995	\$2,056	\$50,939
GRAND TOTAL	\$78,980,400	\$7,230,183	\$1,727,515	\$159,049	\$1,568,471

*Tax amounts are estimates using the previous year's mill levies.

2005 Major Taxpayers

Following is a list of major taxpayers in Fargo ranked in order of the appraised value of the respective properties:

#	<u>Taxpayer</u>	<u>Type</u>	<u>2005 Value</u>
1	West Acres Development Corp.	Retail	\$ 69,919,400
2	Dakota Specialty Institute/Innovis	Medical	\$ 58,574,100
3	Meritcare	Medical	\$ 47,541,700
4	Matrix Properties	Apartments	\$ 42,158,900
5	RCV Ltd Partnership/Van Raden	Apts/Comm/Res	\$ 27,059,200
6	Anda Const. / Roger Anda	Comm/Apts	\$ 22,478,600
7	Medical Properties	Medical	\$ 21,804,000
8	Blue Cross-Blue Shield of ND	Insurance	\$ 21,047,700
9	Case Equipment Co.	Industrial	\$ 18,947,000
10	Wold Properties (Holiday Inn)	Hotel	\$ 16,718,400
11	Dakota Park Ltd. Ptsp.	Apartments	\$ 16,507,900
12	Dakota UPREIT	Apartments	\$ 16,141,800
13	Gerald Eid / Eid-Co Buildings, Inc.	Apts/Comm/Res	\$ 16,077,900
14	Wal-Mart Real Estate Business Trust	Retail	\$ 14,798,700
15	Rabanus Center, LLC	Comm/Retail	\$ 14,679,100
16	Lexus Tower	Commercial	\$ 14,621,200
17	Super Valu Stores Inc.	Grocery Dist.	\$ 14,145,900
18	1 st Bank/Dakota Bank/First Bldg. Corp.	Financial	\$ 13,512,800
19	JPR Investments LLC	Commercial	\$ 13,448,100
20	Comstock Land Co., LLC	Mfg / Retail	\$ 12,830,500

Major North Dakota City Comparison

Population / Taxable Value Comparison

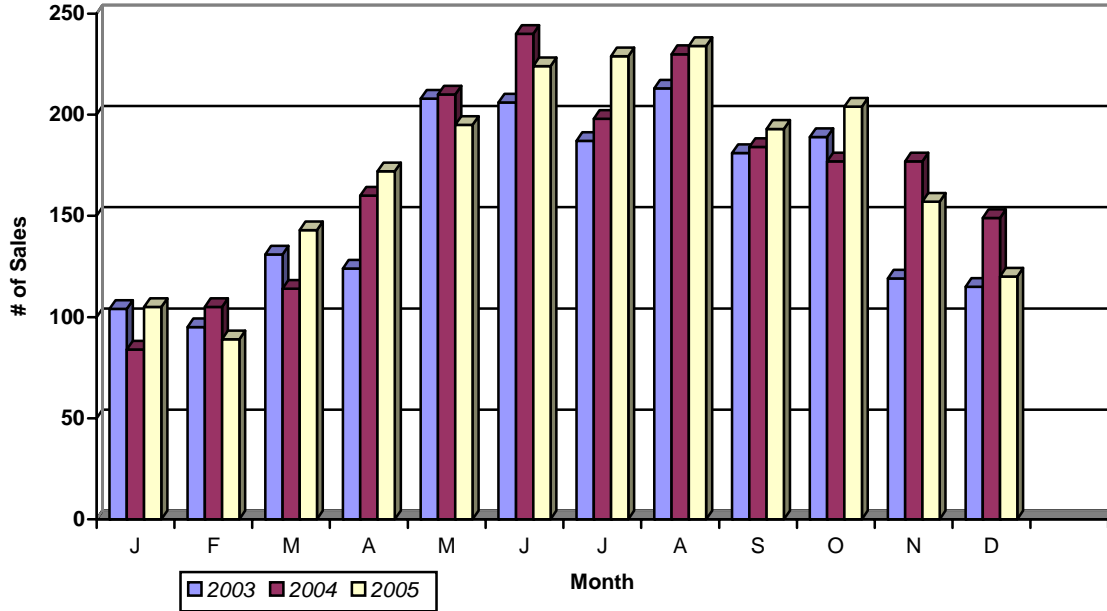
CITY	ESTIMATED POPULATION	2005 TAXABLE VALUE
Fargo	90,599	\$ 244,141,153
Bismarck	57,469	\$ 132,395,061
Grand Forks	50,900	\$ 109,889,541
Minot	36,567	\$ 74,635,946
West Fargo	16,500	\$ 44,779,582
Dickinson	16,010	\$ 25,124,687
Jamestown	15,500	\$ 22,776,920
Williston	13,500	\$ 16,087,950

Mill Levy / Property Tax Comparison

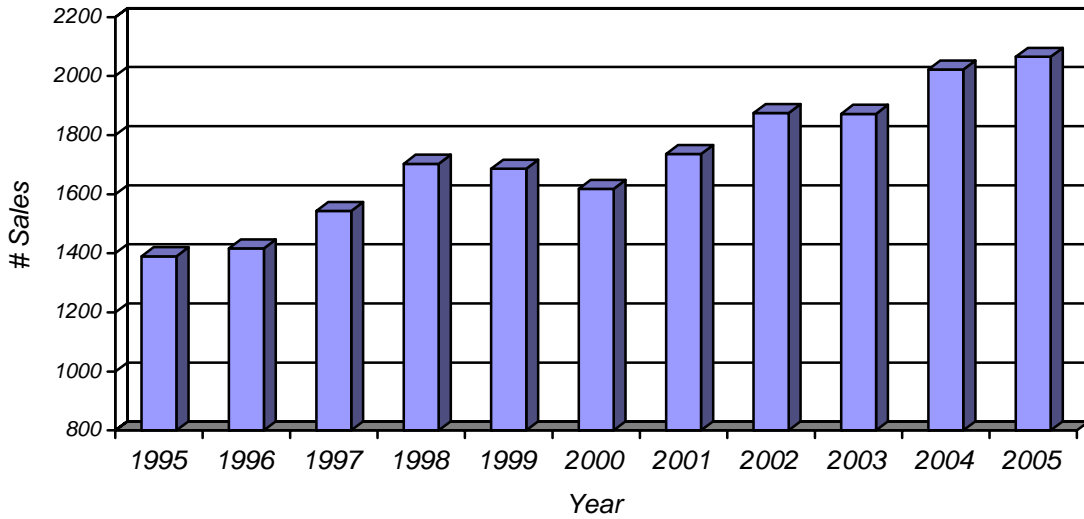
CITY	2005 Total Mill Levy	2005 City Mill Levy	Est. Tax \$100,000 Residential	Est. Tax \$100,000 Commercial
<i>Jamestown</i>	<i>523.26</i>	<i>137.01</i>	<i>\$ 2,237</i>	<i>\$ 2,485</i>
<i>Williston (School Dist #1)</i>	<i>514.73</i>	<i>105.10</i>	<i>\$ 2,200</i>	<i>\$ 2,445</i>
<i>Grand Forks</i>	<i>491.83</i>	<i>117.73</i>	<i>\$ 2,103</i>	<i>\$ 2,336</i>
<i>Fargo (School Dist #1)</i>	<i>480.76</i>	<i>59.25</i>	<i>\$ 2,055</i>	<i>\$ 2,284</i>
<i>Dickinson</i>	<i>468.06</i>	<i>117.55</i>	<i>\$ 2,001</i>	<i>\$ 2,223</i>
<i>Bismarck (School Dist #1)</i>	<i>457.61</i>	<i>98.59</i>	<i>\$ 1,956</i>	<i>\$ 2,174</i>
<i>West Fargo</i>	<i>455.10</i>	<i>88.76</i>	<i>\$ 1,946</i>	<i>\$ 2,162</i>
<i>Minot</i>	<i>448.69</i>	<i>126.52</i>	<i>\$ 1,918</i>	<i>\$ 2,131</i>

Residential Property Sales

2003-2005 Residential Sales

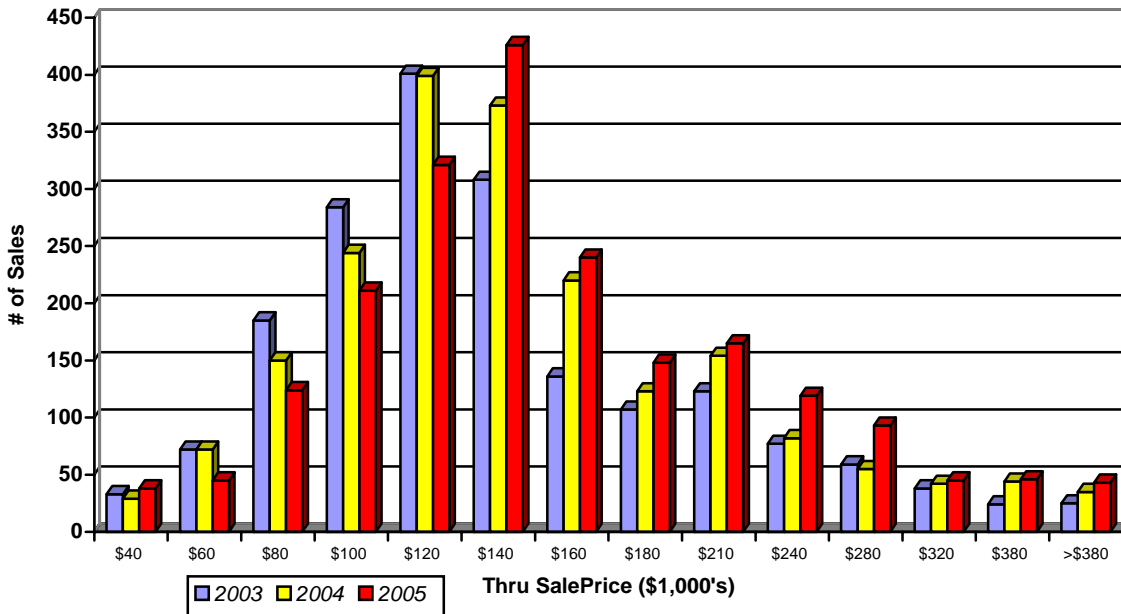


Residential Sales By Year

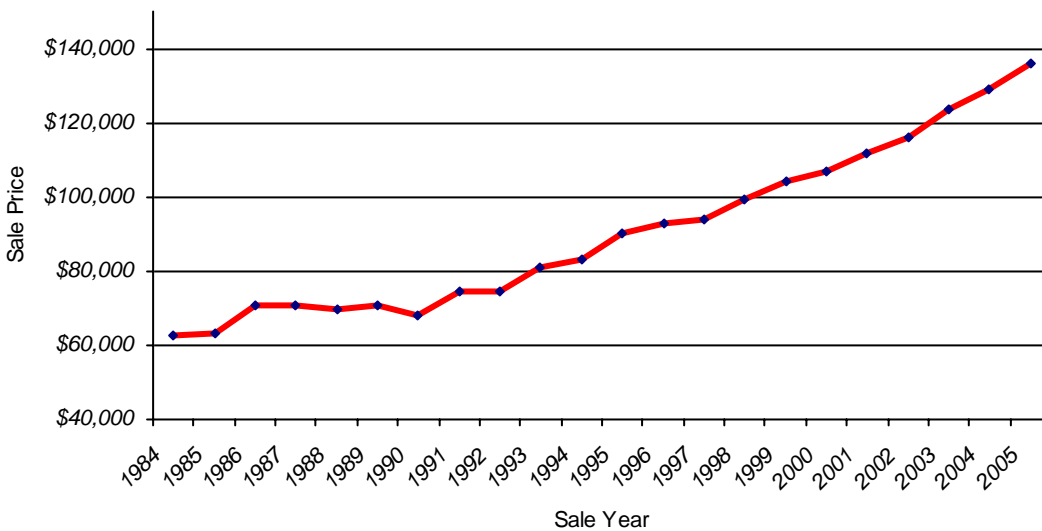


Residential Property Sales

2003-2005 Residential Sales By Price Range

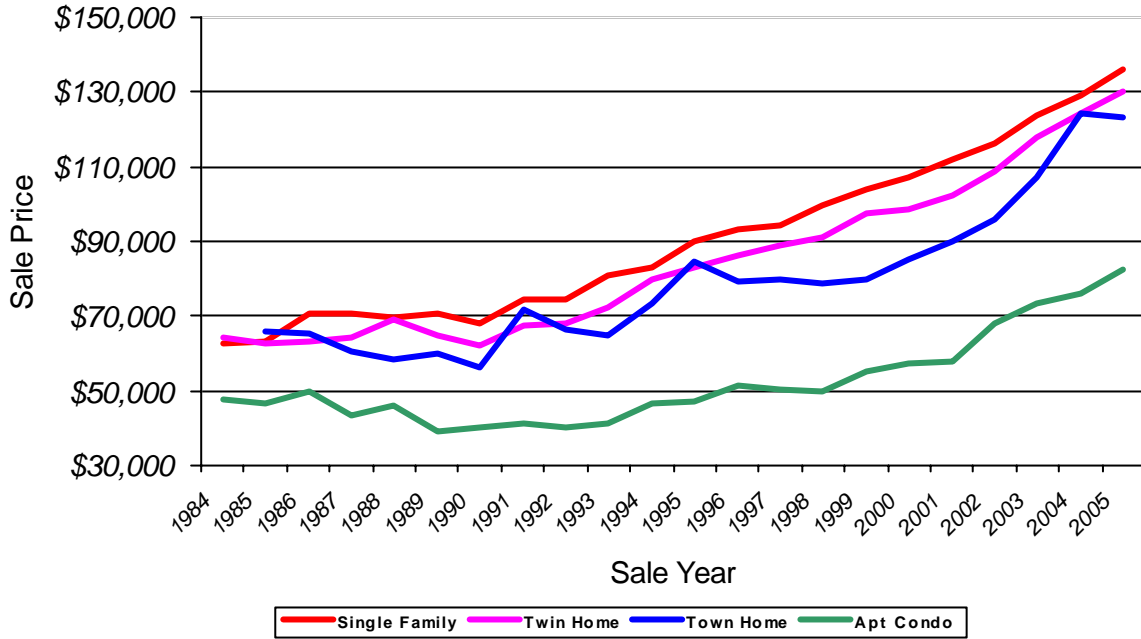


Median Sale Price of Single Family Homes

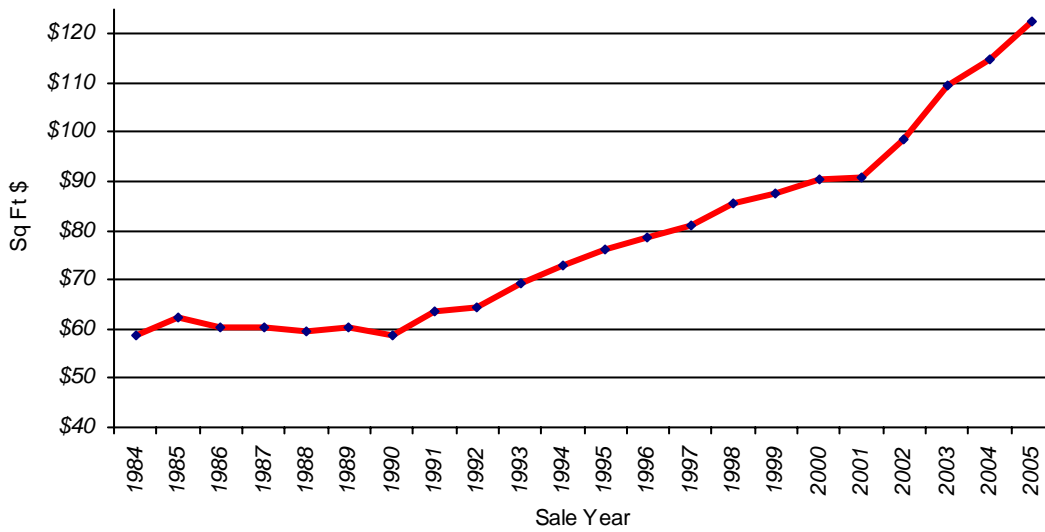


Residential Property Sales

Median Sale Price of All Residential Homes



Median Sq Ft \$ of Typical Single Family 1 Story
(Built 1952-1973, Average Quality, 801-1,025 Sq Ft, Full Basement)



High Property Taxes

There has been considerable focus recently on both the local and national level regarding the continually increasing property tax burden. Several citizen groups and state legislators have stated that the problem needs to be fixed. However, many are proposing options that only address the valuation component of the property tax system. Without addressing the budget component, this would only impact the distribution of the property tax.

One option that has been mentioned is to place a limit or cap on how much property valuations for assessment purposes could be allowed to increase annually. The following examples illustrate how that could affect property taxes.

In this example, three hypothetical property groups are represented to have the same starting value of \$100,000. It shows the impact of each group's tax burden assuming no change in value, a 10% increase, and a 40% increase using the present market value / budget based property tax system we now have.

Present Market Value / Budget Based System (\$6,000 Budget)

Group	2005 Value	2006 Value	2005 Tax	Eff Tax Rate	2006 Tax	Eff Tax Rate	% Chg	\$ Change
1	\$100,000	\$100,000	\$2,000	2.0%	\$1,714	1.7%	-14.3%	-\$286
2	\$100,000	\$110,000	\$2,000	2.0%	\$1,886	1.7%	-5.7%	-\$114
3	\$100,000	\$140,000	\$2,000	2.0%	\$2,400	1.7%	+20.0%	+\$400
Totals	\$300,000	\$350,000	\$6,000		\$6,000			\$0

This example compares the impact of the same real increases in each group's market value but if there were a 3% cap on assessment value increases.

System With 3% Cap on Annual Value Increases (\$6,000 Budget)

Group	2005 Value	2006 Real Value	2006 Capped Value	2006 Tax w/o Cap	Eff Tax Rate	2006 Tax w/ Cap	Eff Tax Rate	\$ Change Caused By Cap
1	\$100,000	\$100,000	\$100,000	\$1,714	1.7%	\$1,960	1.96%	+\$246
2	\$100,000	\$110,000	\$103,000	\$1,886	1.7%	\$2,020	1.84%	+\$134
3	\$100,000	\$140,000	\$103,000	\$2,400	1.7%	\$2,020	1.44%	-\$380
Totals	\$300,000	\$350,000	\$306,000	\$6,000		\$6,000		\$0

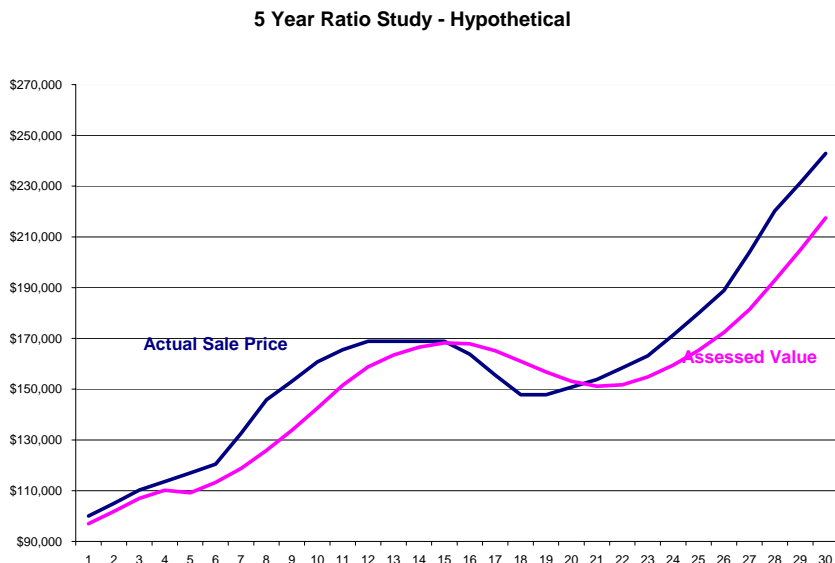
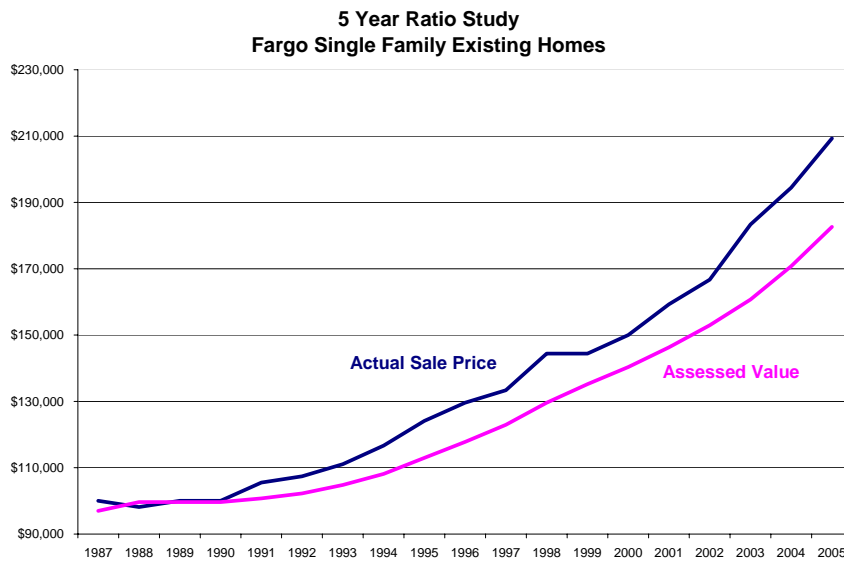
The previous example shows that imposing the cap results in two out of three hypothetical property groups actually paying more tax under the cap system than they would have under the system without caps. Further, the effective property tax burden (tax divided by real value) becomes the lowest for the property group enjoying the most inflation and highest for the property group whose value didn't change at all.

This simply illustrates that changes only in the level of assessment or to the standard of valuation for property taxes simply creates a shift in the tax burden.

High Property Taxes

Another option that has been suggested to deal with the high property taxes is to change the standard of valuation for assessment from current market value to one where assessors would base their values according to the most recent three or five years of sale prices.

The following graphs show the impact of basing assessments on the most recent five years of sales. The first chart illustrates what would have happened over time using the actual sales prices in Fargo. The second chart shows what would happen in a hypothetical up-down-up market.



City Board of Equalization Statute

CHAPTER 57-11 CITY BOARD OF EQUALIZATION

Section

- 57-11-01. Membership of board - Quorum - Meeting.
- 57-11-02. Duties of auditor.
- 57-11-03. Duties of board - Limitation on increase - Notice.
- 57-11-04. Application for correction of assessment.
- 57-11-05. Adding property to assessment list.
- 57-11-06. No reduction after session of board - Exception.
- 57-11-07. Effect of failure of board to meet.

57-11-01. Membership of board - Quorum - Meeting.

The board of equalization of a city consists of the members of the governing body, and shall meet at the usual place of meeting of the governing body of the city, on the second Tuesday in April in each year. The executive officer of the governing body shall act as chairman, but in his absence the governing body may elect one of its members to preside. A majority of the board constitutes a quorum to transact business, and it may adjourn from day to day until its work is completed. In case a quorum is not present at any time, the clerk may adjourn from day to day and publicly announce the time to which the meeting is adjourned.

Notwithstanding the provisions of subsection 1, if the same person performs the duties of assessor for two or more cities or townships, the county director of tax equalization may designate the hour and day in the month of April at which the meeting provided for in subsection 1 must be held for each such city board of equalization; provided, that notice of the hour and day must be published in the official newspaper of the county and posted at the usual place of meeting at least ten days before such meeting.

57-11-02. Duties of auditor. The city auditor, as clerk, shall keep an accurate record of all changes made in valuation, and of all other proceedings, and, within ten days after the completion of the equalization of the assessment, shall deliver the assessments as equalized to the county auditor of the county in which the city is situated, with his certificate that the assessments are correct as equalized by the city board of equalization. The assessment as equalized must be accepted by the board of county commissioners in lieu of all other assessment rolls for the property in said city.

City Board of Equalization Statute

57-11-03. Duties of board - Limitation on increase - Notice. At its meeting, the board of equalization shall proceed to equalize and correct the assessment roll. It may change the valuation and assessment of any real property upon the roll by increasing or diminishing the assessed valuation thereof as is reasonable and just to render taxation uniform, except that the valuation of any property returned by the assessor may not be increased more than twenty-five percent without first giving the owner or his agent notice of the intention of the board to increase it. The notice must state the time when the board will be in session to act upon the matter and must be given by personal notice served upon the owner or his agent or by leaving a copy at his last known place of residence.

57-11-04. Application for correction of assessment. During the session of the board, any person, or the attorney or agent of any person feeling aggrieved by anything in the assessment roll, may apply to the board for the correction of alleged errors in the listing or valuation of real property, and the board may correct the errors as it may deem just.

57-11-05. Adding property to assessment list. The board of equalization shall place upon and add to the assessment roll any real property subject to taxation which has been omitted by the owner or the assessor and shall enter the property at a valuation which will bear an equal and just proportion of the taxation.

57-11-06. No reduction after session of board - Exception. After the adjournment of the board each year, neither the governing body of the city nor the city board of equalization may change or alter any assessment. Neither may the governing body or the board of equalization reduce or abate, or authorize the reduction, abatement, or return, of any taxes levied upon such assessments for any cause except that the property assessed was not subject to taxation at the time the assessment was made.

57-11-07. Effect of failure of board to meet. The failure of the board of equalization to hold its meeting does not vitiate nor invalidate any assessment or tax except as to the excess of valuation or tax thereon shown to have been made or levied unjustly.

Various ND Property Tax Statutes

57-02-01. Definitions. 15. "True and full value" means the value determined by considering the earning or productive capacity, if any, the market value, if any, and all other matters that affect the actual value of the property to be assessed. This shall include, for purposes of arriving at the true and full value of property used for agricultural purposes, farm rentals, soil capability, soil productivity, and soils analysis.

57-02-03. Property subject to taxation. All property in this state is subject to taxation unless expressly exempted by law.

57-02-04. Real property defined. Real property, for the purpose of taxation, includes:

1. The land itself, whether laid out in town lots or otherwise, and improvements to the land, such as ditching, surfacing, and leveling, except plowing and trees, and all rights and privileges thereto belonging or in anywise appertaining, and all mines, minerals, and quarries in and under the same and shall expressly include all such improvements made by persons to lands held by them under the laws of the United States, all such improvements to land the title to which still is vested in any railroad company and which is not used exclusively for railroad purposes, and improvements to land belonging to any other corporation or limited liability company whose property is not subject to the same mode and rule of taxation as other property.
2. All structures and buildings, including systems for the heating, air conditioning, ventilating, sanitation, lighting, and plumbing of such structures and buildings, and all rights and privileges thereto belonging or in anywise appertaining, but shall not include items which pertain to the use of such structures and buildings, such as machinery or equipment used for trade or manufacture which are not constructed as an integral part of and are not essential for the support of such structures or buildings, and which are removable without materially limiting or restricting the use of such structures or buildings.
3. Machinery and equipment, but not including small tools and office equipment, used or intended for use in any process of refining products from oil or gas extracted from the earth, but not including such equipment or appurtenances located on leased oil and gas production sites.

Various ND Property Tax Statutes

57-02-11. Listing of property - Assessment thereof. Property must be listed and assessed as follows:

1. All real property subject to taxation must be listed and assessed every year with reference to its value, on February first of that year.
2. Whenever after the first day of February and before the first day of April in any year, it is made to appear to the assessor by the oath of the owner that any building, structure, or other improvement, or tangible personal property, which is listed for taxation for the current year has been destroyed or injured by fire, flood, or tornado, the assessor shall investigate the matter and deduct from the valuation of the property of the owner of such destroyed property an amount which in the assessor's judgment fairly represents such deduction as should be made.

57-02-27.1. Property to be valued at true and full value. Beginning with the year 1981, all assessors and boards of equalization shall place the values of all items of taxable property at the true and full value of the property except as otherwise specifically provided by law, and the amount of taxes that may be levied on such property for the year 1981 and each year thereafter must be limited as provided in this chapter. For the purposes of sections 57-02-27, 57-02-27.1, 57-02-27.2, and 57-55-04, the term "true and full value" has the same meaning as provided in subsection 15 of section 57-02-01, except that "true and full value" of agricultural lands must be as determined pursuant to section 57-02-27.2.
