

# PROPERTY TAX RELIEF & REFORM

HB 1176 – Impact on Local Budgets and Individual Taxpayers

**Joe Morrisette, OMB Director**

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NORTH  
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# HB 1176 OVERVIEW



**Increases primary residence credit (PRC) from \$500 to \$1,600**



**Provides dedicated, ongoing funding source for PRC from Legacy Earnings Fund**



**Imposes 3% cap on political subdivision budget growth from property taxes**

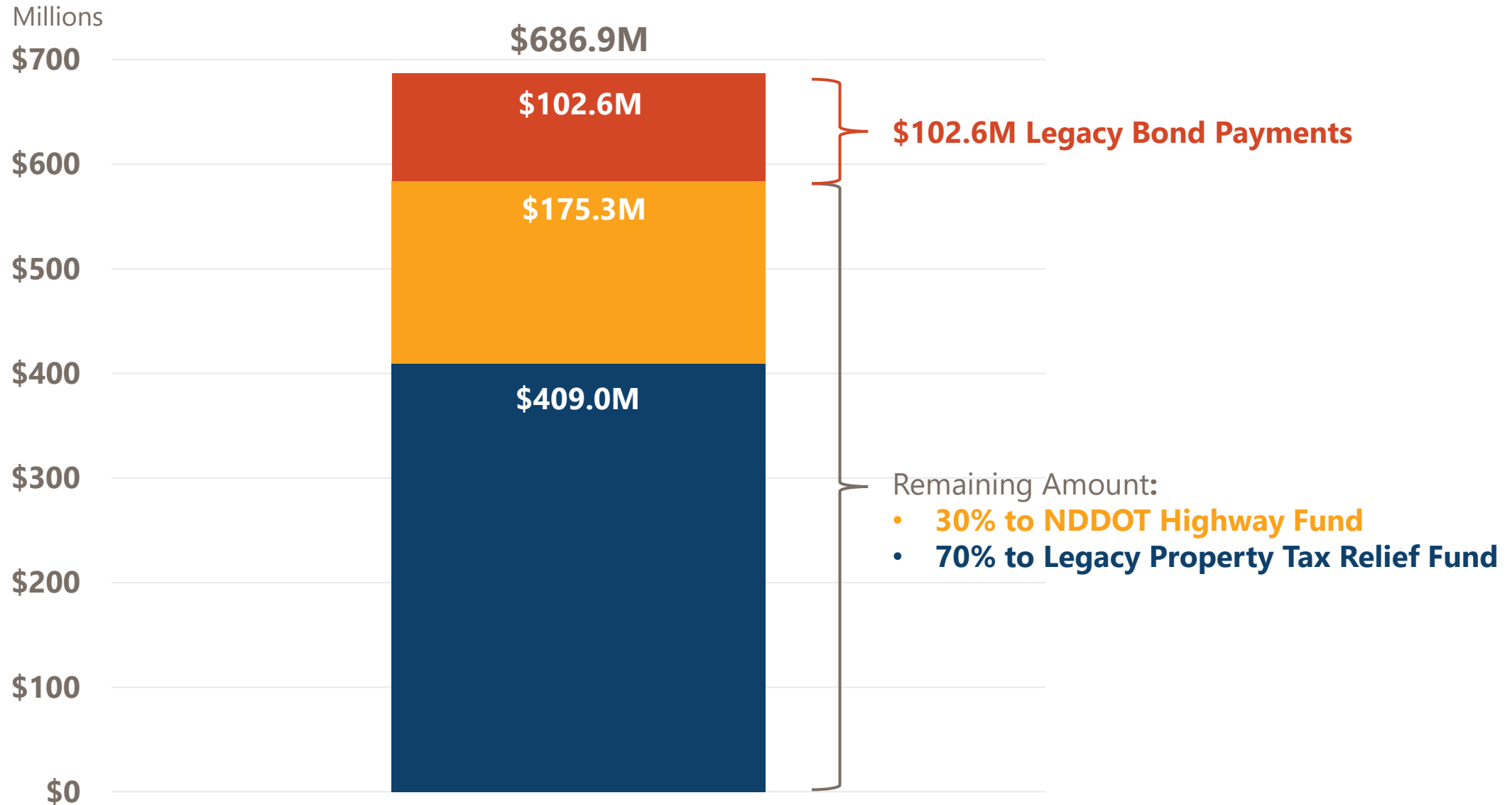


**Allows carryover of unused levy authority (if actual increase is  $< 3\%$ ) for up to 5 years**



# NEW LEGACY EARNINGS FUND ALLOCATION

## MAJORITY DEDICATED TO PROPERTY TAX RELIEF



# LEGACY EARNINGS WILL GROW PRIMARY RESIDENCE CREDIT IN FUTURE YEARS

Biennium	Estimated Legacy Earnings Allocated to Legacy Property Tax Relief Fund
2025-27	\$409.0M
2027-29	\$562.6M
2029-31	\$718.6M
2031-33	\$857.6M
2033-35	\$1,007.4M
2035-37	\$1,170.8M
2037-39	\$1,347.2M



# 3% CAP BUDGET GROWTH

## WHAT IS SUBJECT TO THE CAP?

- Property tax levied on property taxed in previous year (for levies not specifically excluded).



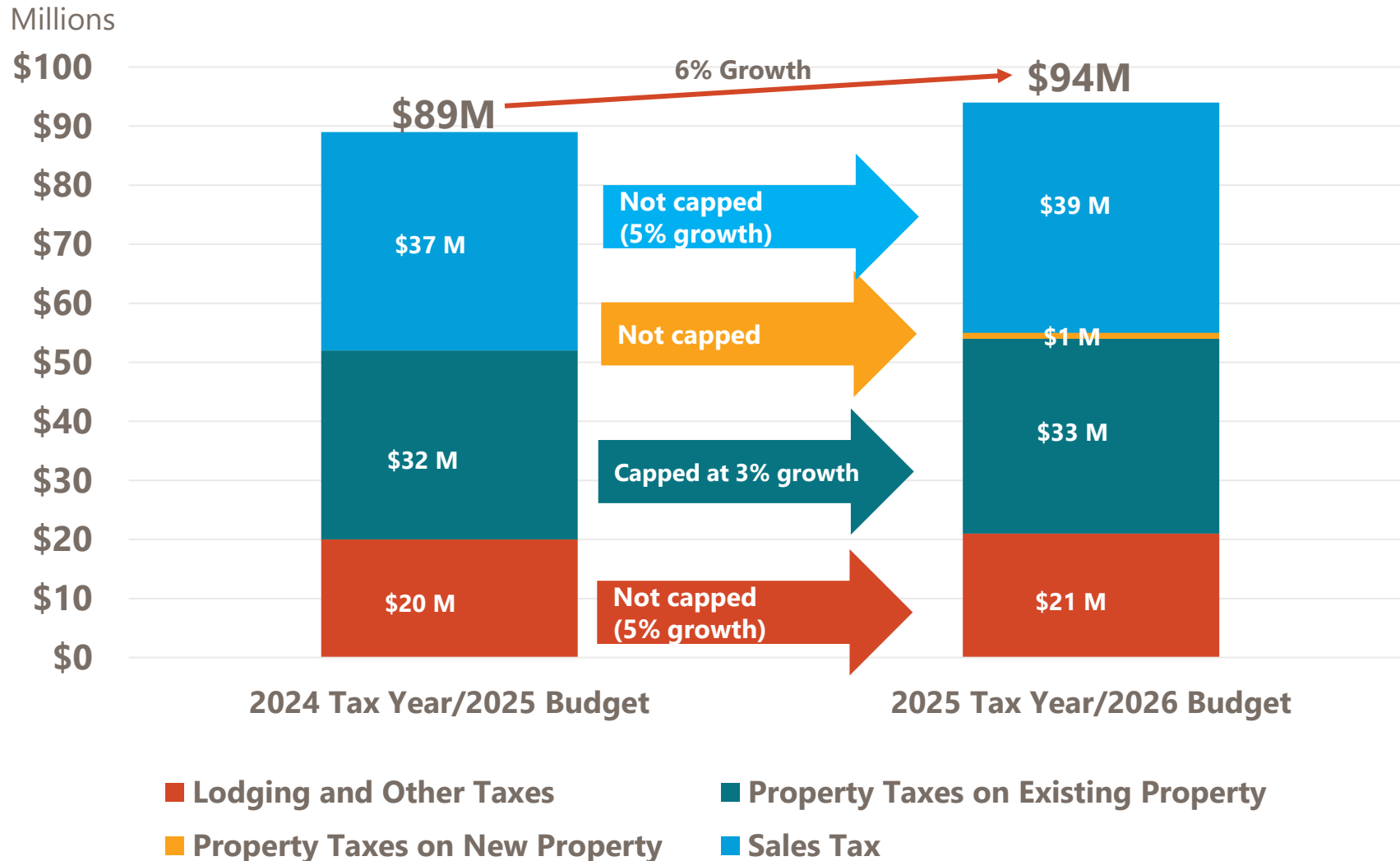
# 3% CAP BUDGET GROWTH

## WHAT IS EXCLUDED FROM THE CAP?

- Levy on new property not taxed in previous year.
- New or increased levies authorized by legislature.
- New or increased levies approved by voters at a statewide general election.
- Levy to service existing bonded debt.
- Taxes levied for deficiencies in special assessment, revenue bonds, or reserve funds.
- Up to 1 mill levied for Garrison Diversion Conservancy District.
- 1 mill levied for UND Medical Center pursuant to Section 10, Article X of ND Constitution.
- Funding from any source other than property taxes.

# HOW DOES THE 3% CAP WORK?

## HYPOTHETICAL CITY BUDGET WITH MIX OF REVENUE SOURCES





# HOW IS THE 3% CAP CALCULATED?

TAKE THE HIGHEST OF TWO ALTERNATIVE CALCULATIONS

## Calculate Base Year Levy

Highest dollar amount levied in last three tax years

**Increase by 3% = Maximum property tax levy**

## Calculate Adjusted Year Levy

Highest dollar amount levied in last three tax years

Taxable value  
from prior year

+

New property not  
taxable in prior year

=

Total taxable  
value

×

Prior year mill rate

=

Adjusted Tax Year levy

**Increase by 3% = Maximum property tax levy**

Maximum  
Levy =  
Highest of  
Two  
Calculations



# HB 1176 3% CAP CALCULATION EXAMPLE

## STEP 1

Base Year Calculation	2024	2023	2022
Taxes Levied on Existing Property	\$24,000,000	\$23,500,000	\$21,500,000
Less Taxes Levied to Pay Bonds, Other Exclusions	4,000,000	5,000,000	5,500,000
<b>Net Base Year Levy</b>	<b>\$20,000,000</b>	<b>\$17,500,000</b>	<b>\$16,000,000</b>

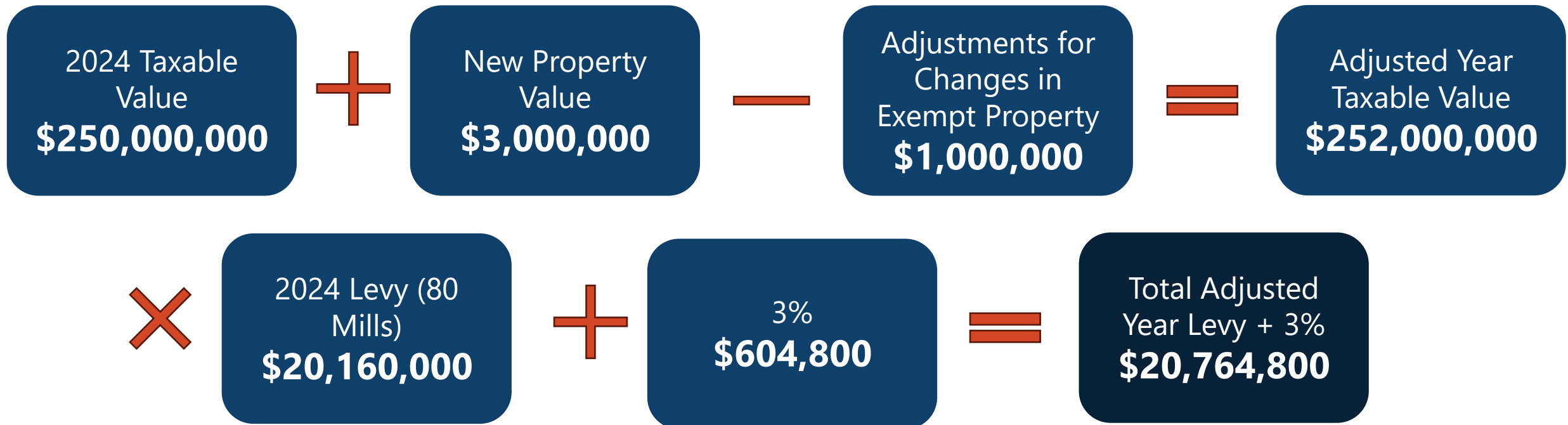


# HB 1176 3% CAP CALCULATION EXAMPLE

## STEP 2

### Adjusted Year Calculation

2024 Tax Year Levy After Exclusions **\$20,000,000/**  
2024 Mill Rate **80 Mills** = **\$250M Taxable Value**



# HB 1176 3% CAP CALCULATION EXAMPLE

## STEP 3

<hr/>	
Base Year Levy + 3%	\$20,600,000
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Adjusted Year Levy + 3%	\$20,764,800
<b>Highest of Base Year + 3% or Adjusted Year + 3%</b>	<b>\$20,764,800</b>

**STEP 1**  
Base Year + 3%  
**\$20,600,000**

**STEP 2**  
Total Adjusted  
Year Levy + 3%  
**\$20,764,800**

# MILL LEVY CALCULATION EXAMPLE

MILL RATE WILL DECREASE IF VALUATIONS INCREASE BY MORE THAN 3%

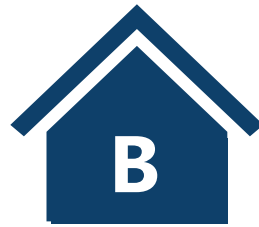
	2024	2025
Taxable Value on Existing Property (5% Growth)	\$250,000,000	\$262,500,000
New Property Taxable Value (1.2% Growth)		\$3,000,000
Adjustments for Changes in Exempt Property		(\$1,000,000)
Total Taxable Value		\$264,500,000
Budget Limit		\$20,764,800
Maximum Mill Rate for Tax Year 2025 ( <i>budget limit/taxable value</i> )		78.5 mills
Actual Mill Rate Used in 2024		80.0 mills
Change in Mill Rate		-1.5 mills

# WHAT ABOUT INDIVIDUAL TAX BILLS?

NOT SUBJECT TO THE 3% CAP, BUT SUBSTANTIAL RELIEF FOR ALL PRIMARY RESIDENCES



	2024	2025	Change
<b>Taxable Value</b>	\$13,500	\$13,635	1.0%↑
<b>Mill Rate</b>	220.0	215.9	
<b>Gross Tax Bill</b>	\$2,970	\$2,943	0.9%↓
<b>PRC</b>	\$500	\$1,600	
<b>Net Tax Bill</b>	\$2,470	\$1,343	45.6%↓



	2024	2025	Change
<b>Taxable Value</b>	\$13,500	\$13,905	3.0%↑
<b>Mill Rate</b>	220.0	215.9	
<b>Gross Tax Bill</b>	\$2,970	\$3,002	1.1%↑
<b>PRC</b>	\$500	\$1,600	
<b>Net Tax Bill</b>	\$2,470	\$1,402	43.2%↓



	2024	2025	Change
<b>Taxable Value</b>	\$13,500	\$14,175	5.0%↑
<b>Mill Rate</b>	220.0	215.9	
<b>Gross Tax Bill</b>	\$2,970	\$3,060	3.0%↑
<b>PRC</b>	\$500	\$1,600	
<b>Net Tax Bill</b>	\$2,470	\$1,460	40.9%↓



	2024	2025	Change
<b>Taxable Value</b>	\$13,500	\$14,445	7.0%↑
<b>Mill Rate</b>	220.0	215.9	
<b>Gross Tax Bill</b>	\$2,970	\$3,119	5.0%↑
<b>PRC</b>	\$500	\$1,600	
<b>Net Tax Bill</b>	\$2,470	\$1,519	38.5%↓

Property tax bills are rounded to the nearest dollar. \$300k market value. 2024 = 80 mill city + 140 other. 2025 = 78.5 city + 137.4 other.

A nighttime photograph of a city street. In the foreground, a multi-lane road with traffic lights and several cars. To the left, a tall building with lit windows. To the right, a large, modern building with blue neon lighting along its roofline. In the background, a tall, thin skyscraper is visible against the dark sky.

# QUESTIONS?

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