Legislative Wrap-Up 2019 Property Tax

Ryan Rauschenberger, Tax Commissioner
Linda Leadbetter, State Supervisor of Assessments
Joseph Becker, Auditor III, Research and Education
• Amends N.D.C.C. 57-33.2-18

• 33% of revenue deposited in State General Fund for wind projects that:
  – Have been in operation for twenty years or more from the date of first assessment, whether initially taxed under 57-06-14.1 or 57-33.2-04.
• Amends N.D.C.C. 57-02-08.3
• Adjusts maximum of $6000 by the consumer price index January 1, each year
• Interest reduced from 9% to 6% per year
• HB 1174 provides that social security remains income as it is considered for the homestead credit
• Amends N.D.C.C. 57-09-01 & 57-11-01
• Township Board of Equalization
• City Board of Equalization
• Meet within the first 15 days of April
• Addresses flexibility needed for those that share assessors
• Amend portions of N.D.C.C. 57-02-08(15)
  – Income information is a confidential record (2019 tax year)
  – Requires income verification on prescribed form (2020 tax year)
  – 66% of gross income from farming activities
  – Met during the two preceding calendar years
• Amendments to N.D.C.C. 57-02-08(15)(b)
  – SB 2360 – Streamlines farm income test and shortens test period
  – SB 2278 – Requires statement from applicant showing farm income test is met
Statement of Gross Farm Income

An applicant for the farm residence property tax exemption as an active farmer must complete and file this form with the assessor by March 31 of the year for which the exemption is requested to state and demonstrate that the applicant meets the gross farm income requirement, as required under N.D.C.C. § 57-02-08(15)(b).

This is a CONFIDENTIAL RECORD

New simplified 2-page form

Use for 2018 or 2019 income tax year

Part 1 - Total gross income from all sources (farm and nonfarm)

On lines 1 through 19, enter the gross income (farm and nonfarm) from the applicant's 2018 federal income tax return, as reported on the forms and lines identified below. If applicant is married, include spouse’s gross income.

These amounts must match the amounts used to determine if the applicant is a farmer under the special federal estimated income tax rules for farmers under Internal Revenue Code § 6654.
Former worksheet was *optional* tool

New form is *required* from every applicant

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*These amounts must match the amounts used to determine if the applicant is a farmer under the special federal estimated income tax rules for farmers under Internal Revenue Code § 6654.*
• New farm income test now based on established, familiar federal income tax method

• Uses *gross income from farming* definition under federal estimated income tax rules
• Farm gross income must be **66% or more** of total gross income for year

• Non-farm income test was repealed
• Farm gross income must be 66% or more of total gross income for year

• Non-farm income test was repealed
Part 1 – Total farm and non-farm gross income

On lines 1 through 19, enter the gross income (farm and nonfarm) from the applicant’s 2018 federal income tax return, as reported on the forms and lines identified below. If applicant is married, include spouse’s gross income. These amounts must match the amounts used to determine if the applicant is a farmer under the special federal estimated income tax rules for farmers under Internal Revenue Code § 6654.

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<thead>
<tr>
<th>Form</th>
<th>Line No.</th>
<th>Description</th>
<th>Gross Income (Farm and Nonfarm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form 1040</td>
<td>Line 1</td>
<td>Wages, salaries, tips, etc.</td>
<td>1</td>
</tr>
<tr>
<td>Form 1040</td>
<td>Line 2b</td>
<td>Taxable interest</td>
<td>2</td>
</tr>
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<td>Form 1040, Sch. 1</td>
<td>Line 11</td>
<td>Alimony</td>
<td></td>
</tr>
<tr>
<td>Form 1040, Sch. 1</td>
<td>Line 13</td>
<td>Capital gains</td>
<td>8</td>
</tr>
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Matches federal amount
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7. Form 1040, Sch. 1 | Line 11 | Alimony                    |
8. Form 1040, Sch. 1 | Line 13 | Capital gains              |

Part 2 - Gross income from farming activities

On lines 22 through 24, enter the gross income from farming activities from return, and add these amounts. These amounts must be reported on federal return.

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<th>Description</th>
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<td>22. Schedule F</td>
<td>Line 9</td>
<td>Gross income</td>
<td>22</td>
</tr>
<tr>
<td>23. Schedule E, Part V</td>
<td>Line 42</td>
<td>Gross farm income from a partnership, S corporation, estate, trust, and Form 4835</td>
<td>23</td>
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<tr>
<td>24. Form 4797</td>
<td>Various</td>
<td>Gains from sale or exchange of livestock used for draft, dairy, breeding, or sporting purposes</td>
<td>24</td>
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26. Gross farm income ratio for 2018 income tax year. Divide line 25 by line 21. If line 25 is equal to zero, enter 0%.
### Part 2 – Gross income from farming activities

On lines 22 through 24, enter the gross income from farming activities from your most recent return, and total it to line 25. These amounts must match federal return amounts.

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26. **Gross farm income ratio for 2018 income tax year.** Divide line 25 by line 21. If line 25 is equal to zero, enter 0%.

\[
\text{Gross farm income ratio} = \frac{\text{Line 25}}{\text{Line 21}}
\]

- **Matches federal amount**
Part 3 - Statement of eligibility

As evidenced by this statement, I declare that my gross income from farming activities (including that of my spouse, if married), is sixty-six percent or more of my annual gross income (including that of my spouse, if married) for the income tax year for which this statement is filed.

I also declare that, under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, this statement, including any accompanying documentation, has been examined by me, and to the best of my knowledge and belief is a true, correct, and complete statement.

Signature of applicant

Date

Part 3 – Applicant’s signature

has been requested. was filed.
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Statement of Gross Farm Income

2018 Income Tax Year

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See separate instructions.

Applicant information
Enter the same information used to complete the Application for Property Tax Exemption of a Farm Residence.

Questions?

Part 1 - Total gross income from all sources (farm and nonfarm)
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