



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	SB0231	<b>Title:</b>	Revise tax exemption laws regarding tribal recreational property
<b>Primary Sponsor:</b>	Augare, Shannon	<b>Status:</b>	As Amended in Senate Committee

- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$2,960)	(\$2,962)	(\$2,966)	(\$2,971)
State Special Revenue	(\$187)	(\$187)	(\$187)	(\$188)
<b>Net Impact-General Fund Balance:</b>	<u>(\$2,960)</u>	<u>(\$2,962)</u>	<u>(\$2,966)</u>	<u>(\$2,971)</u>

**Description of fiscal impact:** This bill increases the amount of park and recreation area land that may be exempted from property tax, by a federally recognized Indian tribe, increasing the statutory 15 acre limit to 640 acres. This bill would reduce revenue to the general fund and 6 mill university state special revenue fund by about \$3,000 per year.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue**

1. The bill, as amended, would expand the tax exemption for property owned by a federally recognized Indian tribe that has been designated as park land or recreation area by increasing the statutory exemption limit to 640 acres.
2. This bill does not extinguish existing property taxes or taxes due and owing, delinquent taxes, tax liens, and tax deeds on property that are in effect on December 31, 2013.
3. The fiscal impact of this bill is the revenue that would be lost from exempting Indian parks land and recreation areas in excess of 15 acres and less than 640 acres in each park or area.

4. Real property that is taxable and owned by a tribe located in an Indian reservation is called fee property. It is assumed that the taxable portion of park or recreation land is fee property. Property tax records indicate that in FY 2013 there were 75,034 acres of tribal fee property that was valued at \$311,551 of taxable value. For FY 2013, these properties were assessed an estimated \$31,466 in state property taxes and \$139,263 in local government and school property taxes.
5. Table 1 displays an estimate of the taxable value of tribal fee property located in the state by tax class. Growth rates provided by SJ 2 are used to estimate the taxable value for FY 2014 and beyond.

Tax Class	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Class 3	\$169,658	\$166,685	\$163,763	\$160,893	\$158,073
Class 4	\$137,807	\$140,841	\$144,036	\$147,304	\$150,647
Class 10	\$4,086	\$4,060	\$4,034	\$4,008	\$3,983
<i>Total</i>	<i>\$311,551</i>	<i>\$311,585</i>	<i>\$311,834</i>	<i>\$312,206</i>	<i>\$312,702</i>

6. For the purposes of this fiscal note, it is assumed that 10% of tribal fee property will be designated tribal park or recreation area that would be exempted under this bill.
7. The statewide average mileage rate is 548 mills. It is assumed that the statewide mills are levied against all tribal fee property and that 235 mills fund local government, 212 mills fund local schools, 95 mills fund the state general fund, and 6 mills fund the university special revenue fund.
8. The estimated fiscal impact of SB 231 is displayed in Table 2. The taxable value loss that would be caused by increasing the acreage of exempt tribal property is displayed, as is the property tax impact to each affected fund or local jurisdiction type.

	FY 2014	FY 2015	FY 2016	FY 2017
<b>Property Value Impact</b>				
Taxable Value	-\$31,159	-\$31,183	-\$31,221	-\$31,270
<b>Property Tax Impact</b>				
State General Fund	-\$2,960	-\$2,962	-\$2,966	-\$2,971
University 6 Mill Account	-\$187	-\$187	-\$187	-\$188
Local Governments	-\$7,322	-\$7,328	-\$7,337	-\$7,349
School Jurisdictions	-\$6,606	-\$6,611	-\$6,619	-\$6,629
<b>Total Tax Change</b>	<b>-\$17,075</b>	<b>-\$17,088</b>	<b>-\$17,109</b>	<b>-\$17,136</b>

9. The department will administer the requirements of this bill within existing resources.

**Secretary of State**

10. This bill has a tribal notification provision which will have minimal cost for postage and administrative duties. The Office of the Secretary of State does not receive general fund monies for office operations, but has agreed to assume the fiscal responsibility for the notification called for in this bill.

Department of Revenue	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
<b>Fiscal Impact:</b>	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>	<b>Difference</b>
<b>Expenditures:</b>				
TOTAL Expenditures	\$0	\$0	\$0	\$0
<b>Funding of Expenditures:</b>				
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<b>Revenues:</b>				
General Fund (01)	(\$2,960)	(\$2,962)	(\$2,966)	(\$2,971)
State Special Revenue (02)	(\$187)	(\$187)	(\$187)	(\$188)
<b>TOTAL Revenues</b>	<b>(\$3,147)</b>	<b>(\$3,149)</b>	<b>(\$3,153)</b>	<b>(\$3,159)</b>
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</b>				
General Fund (01)	(\$2,960)	(\$2,962)	(\$2,966)	(\$2,971)
State Special Revenue (02)	(\$187)	(\$187)	(\$187)	(\$188)

**Effect on County or Other Local Revenues or Expenditures:**

1. This bill would reduce local property tax revenue by approximately \$14,000 a year for FY 2014 through FY 2017. To the extent that local districts float mills pursuant to 15-10-420, MCA, local jurisdictions would recover any revenue reduction.

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Sponsor's Initials

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Date

\_\_\_\_\_  
Budget Director's Initials

\_\_\_\_\_  
Date