



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	SB0232	<b>Title:</b>	Revise tax exemption laws regarding sacred sites
<b>Primary Sponsor:</b>	Augare, Shannon	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>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 sacred area and cemetery land that may be exempted from property tax by a federally recognized Indian tribe, removing the statutory 15 acre limit and the condition that a permanent care and improvement fund be established in connection with a qualifying cemetery. This increases the number of acres that could be exempt from property tax. This bill would reduce revenue to the general fund and 6 mill university special revenue fund by about \$3,000 per year.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue**

1. This bill would expand the property tax exemption for property owned by a federally recognized Indian tribe that has been designated as sacred land by removing the statutory 15 acre exemption limit.
2. This bill would also expand the property tax exemption for property owned by a federally recognized Indian tribe that is devoted to use in connection with a cemetery and not operated for gain or profit, by removing the requirement that a permanent care and improvement fund be established in connection with the qualifying cemetery.

3. 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 sacred 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.
4. Table 1 displays an estimate of the taxable value of tribal fee property located in the state grown by the tax class growth rates in the revenue estimates that 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>

5. For the purposes of this fiscal note, it is assumed that 10% of tribal fee property is property devoted to use in connection with a cemetery or is designated sacred that would be exempted under this bill. That percentage however, could be more or less than 10% as this bill eliminates the size limit.
6. The fiscal impact of this bill is the revenue that would be lost from exempting Indian sacred land in excess of 15 acres. This lost revenue is calculated by applying the statewide mills against the taxable value of sacred land in excess of 15 acres, and exempting property that is devoted to use in connection with a cemetery without an established permanent care and improvement fund as assumed in assumption 5.
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. For the purpose of this fiscal note, it is assumed that this bill will not extinguish delinquent taxes, penalties, and fees that are currently owed and due. [see technical note # 2]
9. The estimated impact of SB 232 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>

10. The department could administer the requirements of this bill within existing resources.

**Secretary of State**

11. 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.

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

**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.

**Technical Notes:**

1. The removal of the acreage limit on exempt property creates an incentive to designate land as sacred. This bill could have a larger impact, than estimated in this fiscal note, if additional land is designated as sacred. An acreage limit could promote a large shift of land from non-sacred to sacred status.
2. Assumption 8 states that this bill “will not extinguish delinquent taxes, penalties, and fees that are currently owed and due”, however the intent is not clear. Additional language would be required to clarify whether the intent of this bill is to extinguish delinquent taxes, penalties, and fees that are currently owed and due; or to apply only to taxes assessed after December 31, 2013.

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Sponsor’s Initials

\_\_\_\_\_  
Date

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Budget Director’s Initials

\_\_\_\_\_  
Date