



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill # HB0401

Title: Repeal temporary tribal property tax exemption

Primary Sponsor: Hertz, Greg

Status: As Introduced

- 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 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$7,800	\$24,300	\$39,000	\$54,500
State Special Revenue	\$500	\$1,500	\$2,500	\$3,500
Net Impact-General Fund Balance:	<u>\$7,800</u>	<u>\$24,300</u>	<u>\$39,000</u>	<u>\$54,500</u>

Description of fiscal impact: HB 401 repeals 15-6-230, MCA, which grants a temporary exemption for certain tribal lands for 5 years or until the United States denies a tribe's request for trust application. The bill is effective upon passage and approval. The Department of Revenue would no longer accept temporary tribal exemption requests at that point.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- In TY 2018 there were 222 parcels requesting temporary exemption under the provisions of 15-6-230, MCA.
- These properties had an associated market value of \$9.994 million and an associated taxable value of \$0.164 million. Applying the state mills to this value results in an estimated increase of \$17,000 in state property tax revenue.
- Since HB 401 is effective upon passage, it is assumed the impact will be reduced by 50% in the first year.
- The estimated impact will compound in the subsequent five years as the properties failing to receive the exemption in the first year will fail to receive the exemption in the second year in addition to the 'new' properties that will no longer receive the exemption.

HB 401: Repeal of Five-Year Exemption on Certain Tribal Property Relative to Present Law				
	FY 2020	FY 2021	FY 2022	FY 2023
SB 239 Exempt Market Value	4,997,000	14,991,000	24,985,000	34,979,000
Taxable Value	82,000	246,000	410,000	574,000
Revenue				
State General Fund	\$7,800	\$23,400	\$39,000	\$54,500
State Special Revenue	\$500	\$1,500	\$2,500	\$3,400

5. It is not anticipated that this bill will have significant implementation costs for the department.

<u>Fiscal Impact:</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Department of Revenue	Difference	Difference	Difference	Difference
<u>Expenditures:</u>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$7,800	\$23,400	\$39,000	\$54,500
State Special Revenue (02)	<u>\$500</u>	<u>\$1,500</u>	<u>\$2,500</u>	<u>\$3,400</u>
TOTAL Revenues	<u>\$8,300</u>	<u>\$24,900</u>	<u>\$41,500</u>	<u>\$57,900</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$7,800	\$23,400	\$39,000	\$54,500
State Special Revenue (02)	\$500	\$1,500	\$2,500	\$3,400

Effect on County or Other Local Revenues or Expenditures:

Department of Revenue

1. The repeal of the temporary exemptions will increase local taxable value, however local mills will adjust downward for the accumulating property that would have otherwise been exempt, thereby offsetting local revenue growth. Taxes effectively will be shifted to property that formerly would have been exempt. It is estimated that if this bill had been in effect in FY 2019, local government jurisdictions statewide would have shared an increase in taxable value that would have generated \$38,500 in tax revenue. Local schools (and county wide school levies) would have shared \$39,900.

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<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>
		TL	2/15/19