



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

SB0119 - Provide tribal property tax exemption to tribal members (Webber, Susan )

**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 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</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	\$0	(\$680)	(\$1,140)	(\$1,600)
State Special Revenue	\$0	(\$40)	(\$70)	(\$100)
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>(\$680)</u>	<u>(\$1,140)</u>	<u>(\$1,600)</u>

**Description of fiscal impact:** SB 119 extends the up to five-year temporary property tax exemption for qualifying property owners that have applied to the federal government seeking the conversion from fee land to tribal trust status, to individual tribe members. These qualified individuals must apply to the Department of Revenue for the temporary property tax exemption. The state exemption is currently only available to property held by a federally recognized tribe.

### FISCAL ANALYSIS

**Assumptions:****Department of Revenue**

- The property tax exemption for tribal property that is currently under consideration for trust land status by the United States Bureau of Indian Affairs allows for a five-year temporary exemption from property tax. The current Montana statute applies only to fee land owned by the tribe. If the property is not converted to trust land within the five-year temporary exemption period, the forgone property taxes may be recaptured.
- SB 119 would extend the state exemption to individual members of federally recognized tribes meeting the same state and federal qualifications.
- The department anticipates roughly a 5% increase in annual applications under SB 119.

4. DOR data available in *The Fee-to-Trust Conversion Study* of the Legislature’s State-Tribal Relations Committee in the 2021-2022 interim, on average in the TY 2014-TY 2020 period, each year there were 19 fee-to trust exemption applications, representing 38 parcels, each with an average taxable value of \$2,400. Each year about 14 parcels were converted to trust land, however, the conversion process can be lengthy with what appears in the data be at least a three-year lag.
5. A 5% increase represents two parcels per year, these are assumed to accumulated for four years and then expiring temporary exemptions would offset new exemptions. With a mid-year start, one parcel would receive an exemption in TY 2023, two in TY 2024, per year thereafter. Since these would accumulate for four years the revenue effects are the moving four-year sum of parcels times the average parcel taxable value (\$2,400).
6. The bill is effective on passage and approval. It is assumed that the first tax year impacted would be TY 2024 (property assessed on January 1, 2024) and reducing FY 2025 revenue. The taxable value reduction would be \$7,200 in FY 2025, \$12,000 in FY 2026, \$16,800 in FY 2027. These effects stabilize at a \$19,200 reduction in FY 2028.
7. The 95 mills applied against this taxable value \$680 in FY 2025, \$1,140 in FY 2026, and \$1,600 in FY 2027.
8. The 6-mill state special revenue would be reduced by \$40 in FY 2025, \$70 in FY 2026, and \$100 in FY 2027.
9. The costs are anticipated to be minimal given the exemption is a small expansion of an existing DOR function.

**Office of the Secretary of State**

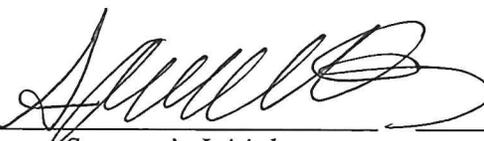
10. This bill requires the Office of the Secretary of State to notify each federally recognized tribal government in Montana. While there may be a minimal fiscal impact, the Office of the Secretary of State will absorb the costs associated with implementing this bill within its existing operating budget.

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>	<b><u>FY 2027</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>FTE</b>	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	(\$680)	(\$1,140)	(\$1,600)
State Special Revenue (02)	\$0	(\$40)	(\$70)	\$100
<b>TOTAL Revenues</b>	<b><u>\$0</u></b>	<b><u>(\$720)</u></b>	<b><u>(\$1,210)</u></b>	<b><u>(\$1,500)</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	(\$680)	(\$1,140)	(\$1,600)
State Special Revenue (02)	\$0	(\$40)	(\$70)	\$100

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

**Department of Revenue**

1. Statewide, local jurisdictions would see a tax shift equal to about 5.5 times the state general fund impact (averaging less than \$10,000). All other taxpayers in jurisdictions with qualifying property will likely see a *de minimis* increase in tax.

	1-12-2023		1-11-23
Sponsor's Initials	Date	Budget Director's Initials	Date