

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Sixth Oregon Legislative
Assembly
2012 Regular Session
Legislative Revenue Office**

**Bill Number: HB 4041 - B
Revenue Area: Property Tax
Economist: Christine Broniak
Date: 2-22-2012**

Measure Description:

Exempts from taxation property owned exclusively by eligible Indian tribe or by entity wholly owned by eligible Indian tribe if property is used exclusively for certain government services. Allows an exemption from property taxation property that is leased or rented to low income persons by a partnership, nonprofit corporation, or limited liability company of which an eligible Indian tribe is a general partner, limited partner, director, member, manager, or general manager. Allows the exemption for property that is used as an affordable housing activity under 25 USC 4132. Requires properties receiving this exemption satisfy various requirements. Allows the low income housing that receives an exemption to generate an income. Requires taxpayers to file a claim for an exemption. Adds reporting requirements for new tax exemptions for low-income rental housing. Requires that all agreements necessary for the construction and operation of the property as low income housing are executed before July 1, 2017 in order for property to be eligible for the tax exemption.

Revenue Impact (in \$Millions):

The revenue impact has two components. The first is \$100,000 in existing tax liability growing at 3% per year. The second is a range based on projections of new construction or acquisitions of properties used for qualifying governmental services assumed to be accounting for \$11,088 per biennium in tax liability from new construction, also growing at 3% per year.

		2011-13	2013-15	2015-17
Existing Properties Impact	Counties and Local Taxing Districts	-\$0.060	-\$0.125	-\$0.133
	Schools	-\$0.040	-\$0.084	-\$0.089
Future Properties Impact	Counties and Local Taxing Districts	-\$0.003	-\$0.020	-\$0.084
	Schools	-\$0.002	-\$0.013	-\$0.056
Total	Counties and Local Taxing Districts	-\$0.063	-\$0.145	-\$0.217
	Schools	-\$0.042	-\$0.097	-\$0.145

These revenues accrue to counties, schools, and local taxing districts.

Impact Explanation: The measure would exempt certain properties in use for tribal government from property tax if they are equivalent to services that a state and local government or the federal government would customarily provide its citizens. The properties affected include those used for

administration, health facilities, education, transportation, fire, police, properties held for or rented to low income individuals, cemeteries, and limited utility services.

There are 6 tribes with currently held property around the state that would be affected. A number of tribes have offices in major cities that would be affected by this measure including the Grande Ronde and Siletz Tribes. The Siletz Tribe has three properties in Portland, Eugene, and Salem, with a tax liability of \$59,200. The Grande Ronde Tribe has administrative, police, fire services, and cemeteries in Yamhill, Polk, and Multnomah counties with a tax liability of \$23,043. The Coquille Tribe has \$4,144 in tax liability for administrative properties that would be exempt. The Confederated Tribes of the Umatilla Indian Reservations have only \$475 of tax liability that would become exempt under this measure. The Confederated Tribes of the Coos are planning to build property for low-income housing that would be exempt under this measure. The total tax liability on existing properties is slightly more than \$100,000.

If properties used for qualifying tribal government purposes were acquired or constructed outside of reservations or trust lands, this measure would exempt them from property tax. If this measure is the factor which determines that these properties would be newly constructed, then it has no revenue impact. If the measure is driving the acquisition of existing properties that are currently taxable and rendering them tax exempt, then there is a revenue impact. If these properties would have been built or acquired regardless of whether this measure exempts them from property taxes, the impact would be equal to future tax liability on such properties and is estimated. A revenue estimate has been developed for new property with the assumption that an additional \$100,000 in real market value is constructed or acquired per biennium with an assessed value of \$68,800 and an average tax rate of 16 percent. Such property would have a tax liability of \$11,088.

Creates, Extends, or Expands Tax Expenditure: Yes No

The purpose of this tax expenditure is to extend property tax benefits to Indian tribal governments for providing government services equivalent to those provided by other governmental entities. Additionally, the expenditure encourages the provision of housing to low-income individuals while achieving consistency in the administration of property tax exemptions.