

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
75th Oregon Legislative Assembly
2009 Regular Session
Legislative Revenue Office

Bill Number: SB 589 A
Revenue Area: Property Tax
Economist: Dae Baek
Date: March 26, 2009

Measure Description: Repeals five-year time limit for exemption from property taxation of Indian tribal land if acquisition of the land by the United States in trust status (or fee-to-trust conversion) has been requested or is in process. Lists conditions under which property tax exemption for acquisition of the land in trust status ceases. Repeals sunset of such exemption for property tax years beginning on or after July 1, 2012. Applies to property tax years beginning on or after July 1, 2008.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2009-10	2010-11	2009-11	2011-2013	2013-2015
State Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Local Government	-\$ 0.03	-\$ 0.06	-\$ 0.09	-\$ 0.24	-\$ 0.31
Local School Districts	-\$ 0.02	-\$ 0.04	-\$ 0.06	-\$ 0.18	-\$ 0.23

Impact Explanation: According to State of Oregon 2009-11 Tax Expenditure Report, expected tax expenditure for FY 2009-11 is \$500,000 based on assessed value of \$23 million.

The bill applies to tax years beginning on or after July 1, 2008. This means that if this bill is enacted, the land currently in the 5th year of fee-to-trust conversion process will qualify for exemption even if the process is not completed before July 1, 2009. It is not certain how many acres will be in what year of the conversion process when the exemption expires under current law.

This analysis assumes that the current level of fee-to-trust conversion will continue without disqualification due to sunset of exemption. It also assumes that assessed value of land increases 3% every year.

Creates, Extends, or Expands Tax Expenditure: Yes No

Land acquired by an Indian tribe is exempt from property tax if the land is within the ancient tribal boundaries of the tribe and is in the process of being placed in U.S. trust (ORS 307.181). The current exemption continues until the land is placed in trust, up to a maximum of five years. The exemption sunsets on June 30, 2012. This bill repeals sunset of such exemption.

According to Tax Expenditure Report 2009-11 by Department of Administrative Services and Department of Revenue, as of October 2008, there were 9,406 acres of Indian tribal land in the process of being placed in U.S. trust. Tax expenditure for FY 2009-11 is expected to be \$500,000.