

**Property Tax
Tribally-Owned Housing**

March 9, 2001

	Yes	No
Separate Official Fiscal Note Requested	X	
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1048 (Moe) / H.F. 1331 (Skoe)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
		(000's)		
General Fund		(Negligible)	(Negligible)	(Negligible)

Effective for taxes payable in 2002 and thereafter.

EXPLANATION OF THE BILL

Current Law: In general, tribally-owned fee land is subject to property tax and is classified and taxed in the same way as other property. Land owned by the federal government and held in trust for the tribe is exempt from property tax.

Current law also provides an exemption from property tax for a tribally-owned housing project on the White Earth Indian reservation, constructed to house low or moderate-income persons and their families. Rather than property tax, the housing project is subject to an in-lieu payment equal to 5 percent of sheltered rent, based on state law provisions for housing owned by a municipal housing and redevelopment authority.

Proposed Law: The bill would extend the provision for the White Earth reservation to all reservations in the state. Therefore, all tribally-owned housing projects constructed for low or moderate-income persons and their families within the boundaries of Indian reservations throughout the state would be exempt from property tax and subject to the in-lieu payment of 5 percent of sheltered rents.

REVENUE ANALYSIS DETAIL

- Information on the market value of low and moderate-income housing projects on Indian fee lands has not been provided by the tribes, but it is likely that such construction will not be extensive.
- Although the proposed statewide exemption from the property tax, and substitution of an in-lieu payment, would reduce the local property tax base and cause a shift of tax burden to other taxpayers including homeowners, the resulting increase in state paid property tax refunds is likely to be negligible.

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Number of Taxpayers Affected: Unknown

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>

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