

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6137

BILL NUMBER: SB 19

DATE PREPARED: Jan 31, 2002

BILL AMENDED: Jan 31, 2002

SUBJECT: Property Tax Exemption for Religious Property.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that the 150 acre property tax exemption for educational institutions also applies to churches and religious institutions. The bill provides that a tract of land that: (1) does not exceed 150 acres; and (2) upon which is situated a building used for religious worship; is exempt from property taxation. It also allows a church or religious institution to file a claim for a refund for taxes due and payable in 2001.

Effective Date: March 1, 2000 (Retroactive); Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: The State levies a small tax rate for State Fair and State Forestry. Any reduction in the assessed value base, as described below, will reduce the property tax revenue for these two funds.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, up to 15 acres of land on which an exempt building sits (or will sit) is also exempt for most qualifying organizations. The current exceptions are educational institutions, which may exempt up to 150 acres, and 4-H associations, which may exempt up to 200 acres.

This bill would provide an additional exception. Under the bill, religious organizations could exempt up to 150 acres of land, instead of being capped at 15 acres. This increase would not apply to land under a parsonage.

In general, additional exemptions would reduce the assessed value tax base. This would cause a shift of the property tax burden from the taxpayers receiving the exemptions to all taxpayers in the form of an increased

tax rate. Total local revenues, except for cumulative funds, would remain unchanged in future years. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

The bill makes the exemption change retroactive to the 2000 pay 2001 property tax year and allows affected taxpayers to file a claim for refund with the county auditor for taxes paid in the portion of assessed valuation that would be exempt under this proposal. The refunds would be paid with interest at an annual rate of 6%. Property tax refunds reduce the proceeds of current year taxes that are distributed to local civil taxing units and schools.

The actual fiscal impact (both tax shift and refund) depends on the amount of additional property that would qualify for an exemption under this proposal. There is no data currently available to quantify the impact.

State Agencies Affected:

Local Agencies Affected: County auditors; Local civil taxing units; School corporations.

Information Sources: