

**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: Mar 26, 2002

BILL AMENDED: Mar 14, 2002

SUBJECT: Property Tax Exemption for Religious Property.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (CCR Amended) This bill provides that the 150 acre property tax exemption for educational institutions also applies to a tract of land that: (1) contains a building owned, occupied, and used by a person for educational, literary, scientific, religious, or charitable purposes; or (2) contains a building used for religious worship. It preserves the 15 acre limitation for a tract of land that contains a parsonage and the 200 acre limitation for a 4-H fairgrounds.

The bill allows a church or religious institution to file a claim for a refund for taxes due and payable in 2001. It imposes a moratorium on the possible taxation of property that has not previously been taxed under existing law. The bill also establishes an interim study committee to study tax exemptions granted to exempt organizations. It also prescribes the membership of the committee.

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

Explanation of State Expenditures: (Revised) *Interim Study Committee:* This bill would create the Interim Study Committee on the Assessment of Property Owned by Educational, Religious, and Other Nonprofit Organizations. The committee would examine the assessment of property owned by these organizations and the exemptions provided to them. Membership of the committee would include the chairpersons of the House Ways and Means Committee and the Senate Finance Committee, plus three additional House members and three additional Senators.

Members of committees receive a per diem and travel reimbursement. Current Legislative Council Resolution 01-03 allocates \$9,000 per interim for study committees of fewer than 16 members.

Explanation of State Revenues: (Revised) *Property Tax Exemption Land Limit:* 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: (Revised) *Property Tax Exemption Land Limit:* 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, 4-H associations, which may exempt up to 200 acres, and tracts of land that were exempt on March 1, 1987.

Except for parsonages and 4-H associations, this bill would limit land exemptions to 150 acres for all entities that receive an exemption. The exemption for land under a parsonage would continue to be limited to 15 acres and the 4-H exemption would remain at 200 acres. The acreage limit increase would be retroactive to March 1, 2000 assessments and property taxes paid in 2001.

Additionally, the bill totally exempts all land that is owned, occupied, or used by an entity for educational, literary, scientific, religious, or charitable purposes for March 1, 2000 through March 1, 2003 assessments. The exemption includes the entire tract of land on which the parsonage is located.

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 actual fiscal impact 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.

Refund: The bill would allow a church or religious institution to file for a refund of property taxes paid in 2001. The grounds for the refund would be that this proposal would allow an exemption of up to 150 acres. This means that any religious organization that paid property tax in 2001 because its acreage exceeded 15 acres would be entitled to a refund of the taxes paid on up to 135 acres of land. 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 cost of the refunds depends on the amount of property over 15 acres that would qualify for an exemption under this proposal. There is no data currently available to quantify the impact.

State Agencies Affected: Legislative Services Agency.

Local Agencies Affected: County auditors; Local civil units and school corporations.

Information Sources: