

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6742

BILL NUMBER: HB 1188

DATE PREPARED: Dec 19, 1998

BILL AMENDED:

SUBJECT: Miami Indians of Indiana.

FISCAL ANALYST: Bob Sigalow, Diane Powers

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FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill recognizes the Miami Indians of Indiana as an independent Indian tribe. It provides that property owned in common by the Miami Indian Tribe is exempt from property taxes. The bill also provides that income from a business operated on property owned in common by the Miami Indian Tribe is exempt from taxation.

Effective Date: July 1, 1999.

Explanation of State Expenditures: There will be some administrative costs for the Department of Revenue to revise tax forms and instructions to implement this new exemption.

Explanation of State Revenues: This bill would reduce individual income tax revenue from **any** individual or business that operates on property owned in common by the Miami Indian Tribe. This would result in an indeterminable loss of current and future revenue collections. This exemption is not limited to just Miami Indians earning income on their common property but is open to any business or individual that might operate a business on this property. It is also not limited to current property owned so if the Miami Indian Tribe bought more common property, the base could be expanded in the future and could increase the amount of income that could be exempt.

Income tax revenue is deposited in the General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: There will also be an indeterminable loss of local option income tax revenue due to the provisions of this bill. Currently Miami County has a .6% County Option Income Tax (COIT) rate. Their CY 99 COIT certification is \$2,392,349.

According to the State Tax Board, the Miami Indians of Indiana are currently appealing a County Board of Review denial of their property tax exemption. The appeal rests with the State Tax Board. If the Tax Board rules that the property is exempt from property tax, then the property tax provision of this bill would have no fiscal impact.

However, if the Tax Board upholds the denial of the exemption, then this bill would have the effect of exempting the property in question. According to the Tax Board, at issue is real property with an assessed value of \$113,410 and personal property with an assessed value of \$1,000, for a total of \$114,410 AV. This property is located in Miami County. Using the 1998 net average tax rate for Miami County (\$8.1428 per \$100 AV), the tax amount in question would amount to approximately \$9,300.

When valuation is removed from the assessed value tax base, the tax levy is shifted from the taxpayer receiving the exemption to all other taxpayers in the form of an increased tax rate. Depending on the actual tax rate in 1999 and thereafter, the tax shift under this bill, if the Tax Board upholds the exemption denial, would amount to \$9,000 - \$9,500 per year. Total local revenues would not be affected.

Property owned by individual members of the Miami Indians would not be exempt from property tax under this provision.

State Agencies Affected: Department of Revenue.

Local Agencies Affected: Miami County Auditor.

Information Sources: Bill Waltz, State Board of Tax Commissioners (232-3761); Local Government Database; Mike Ralston, the Department of Revenue (233-3229).