



House of Representatives

General Assembly

File No. 602

February Session, 2022

House Bill No. 5474

House of Representatives, April 25, 2022

The Committee on Finance, Revenue and Bonding reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT ESTABLISHING A PROPERTY TAX EXEMPTION FOR PROPERTY LOCATED ON CERTAIN INDIAN LANDS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-81 of the 2022 supplement to the general statutes
2 is amended by adding subdivision (80) as follows (*Effective October 1,*
3 *2022, and applicable to assessment years commencing on or after October 1,*
4 *2022*):

5 (NEW) (80) Real property and tangible personal property located on
6 reservation land held in trust for a federally recognized Indian tribe.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2022, and applicable to assessment years commencing on or after October 1, 2022</i>	12-81
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FIN Joint Favorable

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 23 \$	FY 24 \$
Ledyard; Montville	Grand List Reduction	None	Minimal

Explanation

The bill exempts certain property located on Native American tribal lands from property taxes. This is estimated to result in a minimal grand list reduction in the towns of Montville and Ledyard. At current mill rates, the revenue loss is anticipated to be \$600,000 in Ledyard and \$700,000 in Montville.

Due to the timing of the bill, FY 24 is the first year any impact would occur.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to changes in mill rates and grand lists in Ledyard and Montville.

OLR Bill Analysis**HB 5474*****AN ACT ESTABLISHING A PROPERTY TAX EXEMPTION FOR PROPERTY LOCATED ON CERTAIN INDIAN LANDS.*****SUMMARY**

This bill establishes a property tax exemption for real property and personal property located on reservation land that is held in trust for a federally recognized Indian tribe. The exemption applies regardless of ownership (i.e., it applies to Indian and non-Indian owned property).

With exceptions, federal law precludes taxing federally recognized tribes for real or personal property they own, and in some cases lease, on their reservations (see BACKGROUND). Additionally, existing state law specifically exempts from property tax (1) reservation land held in trust by the state and (2) motor vehicles garaged on a reservation that are owned by tribal members or their spouses (CGS § 12-81(2) & (71)).

EFFECTIVE DATE: October 1, 2022, and applicable to assessment years beginning on or after that date.

BACKGROUND***Related Case Law***

The U.S. Supreme Court has ruled that under the U.S. Constitution states may not tax federally recognized Indian reservations and the Indians on them without clear congressional authorization to do so (*Oklahoma Tax Commission v. Chickasaw Nation*, 515 U.S. 450 (1995)). Local governments, as political subdivisions of the states, are generally subject to the same limitation.

Federal law does not necessarily preempt taxing non-Indian businesses or non-Indian property on reservations. In *Mashantucket Pequot Tribe v. Town of Ledyard*, 722 F.3d 457 (2d Cir. 2013), the Second Circuit Court of Appeals held that the town could levy personal

property taxes on slot machines owned by a non-Indian lessor and leased to the tribe for its exclusive use for on-reservation gaming. In doing so, it overturned a decision by the district court that found the property tax to be preempted by federal law.

Related Bill

sHB 5424 (File 412), favorably reported by the Planning and Development Committee, expands the properties eligible for reimbursement under the payment in lieu of taxes program to include all real property that is exempt from property tax under CGS § 12-81, except houses of worship.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 36 Nay 15 (04/06/2022)