Policy Brief

August 13, 2018

2019 Resolution No. 1

Title: Resolution to require federal government to pay property tax equivalent for eligible public lands under federal management.

Sponsor: Kirk Chandler, Washington County Commissioner

Proposed: Require the federal government to pay property taxes on lands managed by eligible federal land management agencies including the US Forest Service (USFS) and the Bureau of Land Management (BLM). Federal buildings, military reserves, and other federal facilities would not be subject to the tax. The US Forest Service and BLM would continue to administer public lands on behalf of the people and would use the income generated from activities on those lands to pay their taxes.

Analysis of Resolution

Fiscal Impact

2017 Payments in Lieu of Taxes (PILT) Revenue

In 2017 Idaho counties received $30,054,704 in PILT from the federal government. The forty-four counties can be categorized by the amount in PILT received as follows:

- > **$2M** (3) Blaine, Cassia, Elmore
- **$1M—$2M** (5) Bonneville, Fremont, Idaho, Owyhee, Twin Falls
- **$500K—$1M** (17) Ada, Bannock, Bear Lake, Bingham, Bonner, Boundary, Clearwater, Custer, Gooding, Jefferson, Kootenai, Lemhi, Lincoln, Oneida, Power, Valley, Washington
- **$100K—$500K** (14) Adams, Boise, Butte, Camas, Caribou, Clark, Franklin, Gem, Jerome, Latah, Minidoka, Payette, Shoshone, Teton
- < **$100K** (5) Benewah, Canyon, Lewis, Madison, Nez Perce

2017 Estimated Potential Tax Revenue of Federal Land

Methodology: The Idaho State Tax Commission tracks acres and market values for each county in seven different categories (not including residential and industrial categories)

1. Irrigated Agricultural Land
2. Irrigated Pasture Land
3. Non-Irrigated Agricultural Land
4. Meadow Land
5. Dry Grazing Land
6. Productivity Forestland
7. Bare Forestland

For each county, every category was assigned a value per acre. BLM and the U.S. Forest Service track the number of federal acres they manage for each county. For BLM land, the average of categories 1—5 was used as an estimate of the market value of each acre that BLM manages. Likewise, for USFS land, the average of categories 6 and 7 was used to estimate the market value of each acre USFS manages.[1]

The two estimates (BLM and USFS lands) were added together to generate a total market value of federal land. With the assumption that counties would treat any potential taxes from federal land as new construction, the current levy rate was then applied to the market value of the newly acquired federal land giving a value of estimated tax revenue on the federal land for each county.

[1] Given the wide range in market values between categories, and that BLM and USFS lands are most likely to be categories 5 and 7 respectively, the values used are likely overestimating the market values of both BLM and USFS managed lands.

Results: In 2017, given the assumptions described above, Idaho counties could have levied an additional \$24,505,548 in taxes[2] if able to tax federal land. The forty-four counties can be categorized by potential net taxable income on federal land as follows:

- $>$ **\$2M** (2) Twin Falls, Idaho
- **\$1M—\$2M** (4) Clearwater, Custer, Owyhee, Shoshone
- **\$500K—\$1M** (11) Bingham, Bonner, Boundary, Butte, Cassia, Fremont, Gooding, Lemhi, Lincoln, Minidoka, Power
- **\$100K—\$500K** (17) Ada, Adams, Bannock, Benewah, Blaine, Boise, Canyon, Clark, Elmore, Gem, Jefferson, Kootenai, Latah, Oneida, Payette, Valley, Washington
- $<$ **\$100K** (9) Bear Lake, Bonneville, Camas, Caribou, Franklin, Lewis, Madison, Nez Perce, Teton

Statewide, a withdraw from the PILT program in favor of taxes would decrease county revenue by an estimated \$5,549,156. However, the impact would not be felt uniformly across Idaho counties. In fact, some (17) counties could potentially benefit from taxing federal land as opposed to receiving PILT (see figures 1 and 2). While it is true that some counties would stand to benefit from taxing federal land in place of PILT, the average loss in revenue of the majority (61%) of counties would be \$432,493. To see the exact impact on each county, see figure 3.

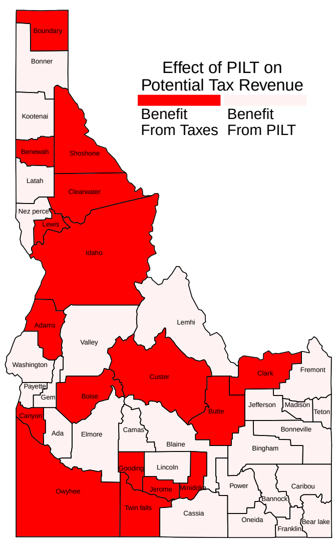

Figure 1

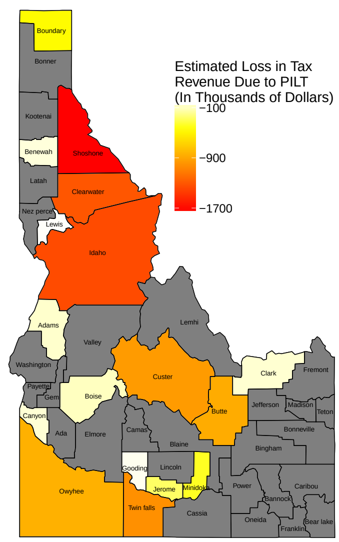

Figure 2

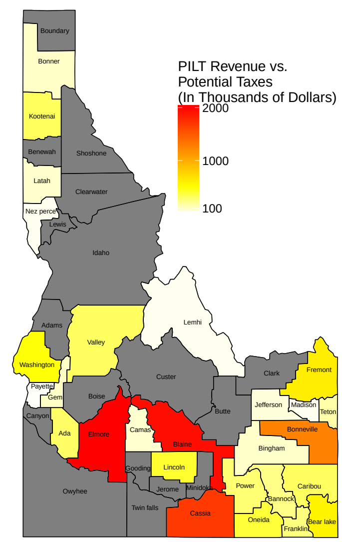

Figure 3

Conclusion

While some (17) counties stand to potentially gain from eliminating PILT revenue in favor of a taxes, most (27) would lose. Further, as noted before, the current estimates likely overvalue the federal land in terms of taxing, and thus overstating the potential tax revenue counties could levy. In other words, if a more conservative estimate were used, even more revenue could be lost if taxes replaced PILT.[3]

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[2] Neither federal buildings, military reserves or other federal facilities were incorporated into this analysis which overestimates the number of federal land acres being taxed in the analysis. This further overestimates the amount of potential taxes that could be levied from federal land according to the proposed tax exemption on these lands and facilities.

[3] Additional methodologies were used as well. For example, a method was used such that counties did not receive a tax authority to treat the newly acquired land as new construction to increase their budget, but instead increased their tax pool, thus giving a tax relief to current tax payers. In this scenario, counties traded 30 million in PILT revenue in exchange for 24.5 million in tax relief, statewide. The 17 tax-benefiting counties were able to decrease their net levies by an average .05%, while the 27 counties that benefit from PILT were forced to increase their net levies by an average .03% on current tax payers to make up for the lost revenue.