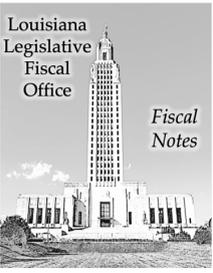


LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 56** SLS 25RS 81
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 10, 2025 12:45 PM **Author:** MILLER, G.
Dept./Agy.: Local Government/LA Tax Commission **Analyst:** Deborah Vivien
Subject: Option to increase the homestead exemption to \$30,000

TAX/AD VALOREM OR SEE FISC NOTE LF RV Page 1 of 1
 Constitutional amendment to authorize the local governing authority of a parish to provide an increase to the homestead exemption. (2/3-CA13s1(A))
 Present constitution provides a statewide homestead exemption of \$7,500 of assessed value. Additional graduated exemptions are authorized for disabled veterans and to first responders based on the \$7,500 exemption amount.

Proposed constitutional amendment retains current law and authorizes parish governing authorities to add up to \$22,500 to the \$7,500 homestead exemption in their respective parishes for properties for a total exemption of \$30,000. Any reduced ad valorem tax collections must be absorbed by the taxing authority and may not result in an additional tax liability to other taxpayers through a subsequent reappraisal, valuation or millage adjustment.

To be submitted to the electors at the statewide election to be held on November 15, 2025, and assumed to be effective with tax year 2026 if approved.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION
 There is no anticipated direct material effect on governmental expenditures as a result of this measure. It is expected by LFO, though not verified by response, that increasing the homestead exemption will require local tax system adjustments that are closely related to the existing exemption with minimal resources required.
 The November 15, 2025, election date is currently scheduled as a local election. The Secretary of State reports that it would require an additional \$3 M SGF in FY 26 to convert to a statewide election, though this is not directed in the bill.

REVENUE EXPLANATION
 The bill allows parishes the unilateral authority to increase the homestead exemption by \$22,500 up to \$30,000, which appears to permanently reduce the local property tax base. The bill has no effect without further approval of local taxing authorities. However, should a parish authorize the maximum exemption, no ad valorem taxes would be due on properties with a fair market value up to \$300,000. The new exemption, if approved and maximized, would surpass that available to 50%-69% disabled veterans (\$10,000 total), 70%-99% disabled veterans (\$12,000 total) and first responders (\$10,000 total) since those would still be based on a \$7,500 exemption.

Following statewide approval of this amendment, participating local governments would experience a decrease in taxes which can be rudimentarily estimated as a 300% (22,500/7,500) increase in the value of the homestead exemption (or loss in local property tax revenue) should they allow for the maximum deduction. According to the 2024 Tax Commission Annual Report, all parishes combined exempted \$0.8 B in ad valorem taxation through the homestead exemption in 2023 (2024 for Orleans) and \$1.4 B in 2024 (2025 for Orleans), which would translate to a \$2.4B or \$4.2B, respectively, annual reduction in statewide property tax revenue if all properties had a fair market value of at least \$300,000 and all locals opted in at the maximum, which is unlikely. Impacts to Orleans Parish could occur as early as FY 27 and all parishes in FY 28 and beyond. Local revenue will decrease for any entity funded by a millage or fee that is charged against a homestead exempt assessment should the local authority choose to adopt a higher exemption, potentially by a significant amount.

The bill prohibits the transfer of the eliminated tax burden to other taxpayers in the parish either through increased assessments or millages. It is not clear how ad valorem tax collection variances outside of the bill's impact, such as normal economic fluctuations in fair market value, will be identified in order to remove the bill's influence from the mandatory millage roll-back provisions currently in law.

A significant change in local property tax collections could impact the local effort included in the MFP calculation, which in turn could impact SGF, depending on the local taxing structure.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Alan M. Boxberger
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Legislative Fiscal Officer