

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 365** HLS 25RS 845

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 14, 2025	11:44 AM	Author: DESHOTEL
Dept./Agy.: Local Government		Analyst: Deborah Vivien
Subject: Optional state payment for exemption or FMV reduction		

TAX/AD VALOREM TAX

OR SEE FISC NOTE GF EX

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Provides for an optional exemption of business inventory from ad valorem taxes and to authorize the reduction of the fair market value percentage of business inventory under certain circumstances

Proposed law establishes an optional immediate or phase-in of local ad valorem tax exemption for business inventories, provided that sheriffs, school boards, and parish governing authorities all assent to an irrevocable exemption before July 2, 2028, applicable to tax periods beginning on or after January 1, 2028. To mitigate local revenue loss, the state will pay taxing authorities that opt to immediately exempt business inventories 3 times the 2025 actual collections with a minimum of \$1 M up to a maximum of \$15 M. For taxing authorities electing a phase-in of the exemption (not to exceed 5 years), the state will pay 2025 actual collections with a minimum of \$500,000 up to \$10 M. These state payments are not funded by the bill. Proposed bill allows a change in fair market value percentage upon election of sheriffs, school boards and parish governing authorities. Proposed law requires local taxing authorities to absorb the provisions of the bill by disallowing millage adjustments or reappraisals due to inventory taxing changes.

Effective with tax year 2027 contingent upon voter approval of HB ____ of 2025RS at the statewide election on November 3, 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$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

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

The bill does not fund the mandatory state payments that are authorized in the bill. Without a specified funding source, it is assumed that the state payments would be made from SGF. Upon election of exemption, local assessors and collectors may be subject to expenses related to the exemption. LDR may have additional expenses related to certification of payments.

Based on 2023 actual collections, parishes collected about \$530 M statewide in inventory taxes. The maximum exposure to the state for state payments if all parishes choose the immediate exemption would be about \$562.3 M or \$295.9 M for the phased-in exemption. Though these outcomes are not anticipated since all parishes are unlikely to opt into the exemption, the bill obligates the state to make immediate mandatory payments without further action if they do, to be paid within 30 days of LDR certification of the exemption election. All exemption elections must occur by July 1, 2028, which pushes all state payments into three possible years, FY 27-29. Because the state impact is based on a local election which may or may not occur, the actual impact is indeterminable. Actual 2023 collections may be derived from multiple tax years, which would lower this estimate.

The state payments are based on actual 2025 collections, not 2025 billings. It is not clear how 2025 disputed or late payments may impact the required state payment.

REVENUE EXPLANATION

The local revenue impact of proposed law is dependent upon the election of the sheriff, school board and parish to exempt inventory from ad valorem taxation. A parish (presumably the collecting authority) would become eligible to receive a state payment should an irrevocable exemption be approved, which would increase local revenue, and be distributed pro rata to appropriate entities based on local tax ad valorem levies. However, these same entities would be subject to the impacts of the elected exemption, which would be an offsetting, and possibly considerable, reduction in revenue in the ensuing years.

Payments from the state are limited to a \$15 M maximum for an immediate exemption and \$10 M maximum for a phased-in exemption. Based on 2023 actual collections, parishes statewide would receive payments of \$562.4 M for a full exemption or \$295.9 M for a phased-in exemption. This compares to statewide inventory tax collections in 2023 of \$530 M. Predicting the behavior of local taxing authorities is not attempted with this fiscal note. Actual 2023 collections may be derived from multiple tax years, which would lower this estimate.

The bill also authorizes a parish to lower the percentage of fair market value of inventory that is taxable. To the extent a parish opts into this reduction, local revenue will decrease. For any given political subdivision, the net revenue impact would be determined by its own decision to either retain the inventory tax, grant the full exemption immediately or phase it in, or reduce the applicable percentage of fair market value.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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