

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 659** HLS 25RS 1147
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 7, 2025 7:24 PM **Author:** LANDRY, MANDIE
Dept./Agy.: Local Taxing Authorities **Analyst:** Deborah Vivien
Subject: Limits nonprofit AVT exemption

TAX/AD VALOREM-EXEMPTION OR SEE FISC NOTE LF RV See Note Page 1 of 1

Establishes a definition for purposes of a prohibition on ad valorem tax exemptions for certain property owned by nonprofit organizations
Current law allows for a broad exemption from property tax for a nonprofit corporation and organizations related to religious purposes, dedicated places of burial, charitable purposes, purposes relating to health and welfare, fraternal purposes or educational purposes. Exempt property must be used for commercial purposes related to the exempt purposes of the nonprofit or organization.

Proposed law retains current law and defines a commercial purpose as a business activity which generates revenues in excess of costs associated with conducting the activity. Proposed law is contingent upon passage of HB 448 of 25RS, a constitutional amendment which limits the nonprofit exemption by disallowing property used for any commercial purpose, even if related to the exempt purposes of the nonprofit or organization.
 Effective with tax year 2027 upon voter approval of HB 448 of 25RS 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	\$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	SEE BELOW					
Annual Total						
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

When a local governing authority administers the exemption after statewide voter approval of HB 448, local assessors and taxing authorities may incur expenses related to the determination, enforcement, and billing of the exemption, possibly of a significant amount depending on the local documentation required to prove that something is not a commercial activity. It is not clear if strategic year-end expensing of bonuses or retained earnings could help qualify certain entities for the exemption.

REVENUE EXPLANATION

To the extent that nonprofit corporations or eligible organizations will now pay property tax on anything related to a commercial endeavor, local revenue will increase for entities receiving funding from a millage or fee that is charged against an impacted assessment. The impact appears to depend on qualifying revenue and expenses of those applying for the exemption that must be accepted or rejected by local assessors and may require additional scrutiny given the potential documentation requirements. It is not clear if strategic year-end expensing, such as bonuses or retained earnings, could help qualify certain entities for the exemption, which may lead to a smaller impact. A meaningful estimate of the statewide local revenue impact would require time and resources that are not readily available within bill debate timelines.

The limitation to the nonprofit exemption in the bill appears to impact all eligible nonprofit organizations such as churches, rural hospitals, housing, education or any other organization currently receiving the exemption. If these organizations are participating in commercial endeavors, defined as an endeavor with revenue in excess of expenses, taxes not currently paid on the commercial portion of their property could be due under this bill. **The bill could result in an increase to local property tax revenue. However, a mandatory rollback of millages could offset this increase as certain millages across all taxpayers would adjust to maintain the aggregate level of local revenue. Local governing authorities may also subsequently vote to increase the millages up to the maximum authorized amount (roll forward). Thus, local revenue collections should ultimately adjust according to the will of the local governing authority.**

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.

Senate Dual Referral Rules
 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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