LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 16, 2025 7:57 AM

Author: DESHOTEL

Dept./Agy.: Local Government

Subject: Optional state payment for exemption or FMV reduction

Analyst: Deborah Vivien

TAX/AD VALOREM TAX EN SEE FISC NOTE GF EX See Note

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 a local option to irrevocably exempt inventory tax, either immediately or phased-in, provided that sheriff, school board, and parish governing authority and must be applicable to tax periods beginning on or after January 1, 2027. To mitigate local revenue loss, the state shall pay taxing authorities 3 times 2026 actual collections for an immediate repeal (minimum of $1 M up to a maximum of $15 M) and actual 2026 collections for a phased-in exemption, not to exceed 5 years (minimum of $500,000 up to $10 M). Local election to exempt must occur before 7/1/27 for tax year 2027 for state payment eligibility. Payments are funded by the Revenue Stabilization Trust Fund in HB 366 (constitutional companion), are mandatory and subject to appropriation. Proposed law allows an irrevocable reduction in percentage of fair market value taxed for inventory, allowed once per assessment period with approval of sheriff, school board and parish governing authority and requires local taxing authorities to absorb the provisions of the bill by disallowing millage adjustments or reappraisals due to inventory taxing changes.
Contingent upon voter approval of HB 366 on 4/18/26. Inventory tax exemptions eligible for state payment to begin with tax year 2027.

EXPENDITURES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0			$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	$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 authorizes and funds the mandatory state payments for the elimination of the inventory tax in conjunction with an eligible appropriation from the Revenue Stabilization Trust Fund authorized in HB 366, upon which this bill is contingent, and noted as a statutory dedication impact in the table. 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.

The mandatory payments from the state are subject to appropriation and are limited to a $15 M maximum for an immediate exemption and $10 M maximum for a phased-in exemption.

To illustrate magnitude, parishes collected about $530 M statewide in inventory taxes in 2023 (actual 2023 collections may be derived from multiple tax years, which would lower the illustrated magnitude). Using the calculation in the bill, the maximum exposure to the state for state payments if all parishes choose the immediate exemption would be about $562.3 M and $295.9 M if all choose the phased-in exemption. It is highly unlikely that all parishes opt into the exemption. To receive payment, all exemption elections must occur by July 1, 2027 and be applicable to TY 2027 (and subsequent years), which pushes all state payments into three possible years, FY 26 - FY 28 due to the 30 day disbursement deadline (FY 26 impact is unlikely since the statewide election is very close to the end of the fiscal year but still within the mandatory 30 day window of payment if the local option is exercised). Because the state impact is based on a local election which may or may not occur, the actual impact is indeterminable.

REVENUE EXPLANATION

The local revenue impact of proposed law is dependent upon the approval of the sheriff, school board and parish to exempt inventory from ad valorem taxation. The tax collecting authority of the parish would become eligible to receive a state payment should an irrevocable, irreversible exemption be approved. The payment 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 inventory tax exemption, which would be an offsetting, and possibly considerable, reduction in revenue in the ensuing years.

See expenditure explanation for an illustration of payments and maximum state exposure. Locals are prohibited from adjusting millages or assessments in response to the exemptions authorized in the bill.

The bill also authorizes a parish to permanently lower the percentage of fair market value of inventory that is taxable, but only once per assessment period. It is not clear whether the percentage may be lowered to 0% as it is authorized as a partial exemption. 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. The state payments are based on actual 2026 collections, not 2026 billings. It is not clear how 2026 disputed or late payments may impact the required state payment. An election by Orleans Parish would reduce inventory taxes due early in tax year 2026; all other parishes that opt in would reduce inventory taxes due at the end of tax year 2026.

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}

Alan M. Boxberger

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