

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 598** HLS 18RS 1026

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 13, 2018 11:37 AM	Author: HAVARD
Dept./Agy.: Local Government / La Tax Commission	Analyst: Greg Albrecht
Subject: Advance Payment of Ad Valorem Tax	

TAX/AD VALOREM TAX RE SEE FISC NOTE LF RV See Note Page 1 of 1
 Authorizes a local taxing authority to enter into advance payment agreements with certain property owners for payment of ad valorem taxes

Proposed law authorizes local taxing authorities to enter into agreements with taxpayers receiving the industrial tax exemption whereby certain ad valorem taxes are paid in advance in exchange for a credit against ad valorem taxes due in later periods plus interest at the judicial interest rate. Tax credits received can only be applied to tax liabilities that become due on the property receiving the industrial tax exemption, limited to 20% of the total credit in any tax year. The taxpayer must notify the Board of Commerce and Industry of agreements it has entered, and such agreements shall not impair eligibility for industrial tax exemption benefits.

Effective upon governor's signature.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill does not appear to change valuations or tax liabilities associated with property receiving the industrial tax exemption (ITEP), but will essentially allow local governments to borrow from participating taxpayers the exempt taxes attributable to the industrial property. Those borrowing will be paid back, when the industrial property returns to the tax rolls at the expiration of the associated ITEP contracts, in the form of credits against the taxes due at that time (up to 20% of the total credit amount per year) plus interest at the judicial interest rate (currently 5%, R.S. 13:4202(B): 3.25% above the Federal reserve discount rate - the rate at which the Federal Reserve will lend to banks).

Presumably, the agreements would account for the changing valuations and tax liabilities over time of participating taxpayers (for example depreciation of the participating industrial property), as well as the specifics of the application of interest such as when accrual begins and what specific judicial rates apply over the life of the agreements. In addition, it is not clear how, if at all, the application of ad valorem tax credits during the payback periods will affect the millage adjustment process, and the shifting of tax burdens among taxpayers as total tax collections would only partially step-up when participating property came on the tax rolls and tax credits were being applied.

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}

John D. Carpenter
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Legislative Fiscal Officer