
DIGEST

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HB 613 Original

2021 Regular Session

Romero

Abstract: Provides for certain requirements and considerations in determining the fair market value of certain property for the purpose of assessing ad valorem tax.

Present law defines fair market value as the price for property which would be agreed upon between a willing and informed buyer and a willing and informed seller under usual and ordinary circumstances. Further provides the fair market value shall be the highest price estimated in terms of money which the property will bring if exposed for sale on the open market.

Proposed law changes the definition of fair market value from the highest price estimated in terms of money to the price estimated in terms of money or the equivalent of, under prevailing market conditions that the property will bring if exposed for sale on the open market.

Present law requires the criteria for determining fair market value to be applied uniformly throughout the state, and that uniform guidelines, procedures and rules be adopted by the La. Tax Commission only after public hearings pursuant to the Administrative Procedure Act.

Proposed law requires uniform guidelines, procedures and rules to comply with appraisal publications of the International Association of Assessing Officers.

Present law requires each assessor to follow the uniform guidelines, procedures and rules in determining fair market value of property subject to taxation in his parish or district. Further requires any manual used by the assessor to be subject to approval by the La. Tax Commission.

Proposed law requires the fair market value to be determined based upon the individual characteristics of the property that affect market value. Further requires the same or similar methods to be used to determine the fair market value of same or similar types of property. The assessor shall utilize all available data specific to the valuation process of property.

Present law requires the fair market value of real and personal property to be determined by the market approach, the cost approach, the income approach, or a combination of the three.

Present law provides that in utilizing the market approach the assessor shall use an appraisal technique in which the market value estimate is predicated upon prices paid in actual market transactions and current listings.

Proposed law retains present law but adds a requirement that the assessor continuously collect

relevant comparable sales data and that the data be used to determine the fair market value of property in the applicable parish or district.

Proposed law limits comparable sales data to data from sales which have occurred within 24 months of the date in which the fair market value of a property is to be determined. Further provides a sale may be considered a comparable sale if there were not enough comparable properties sold during the 24 month period to constitute a representative sample.

Present law provides that in utilizing the cost approach the assessor shall use a method in which the value of a property is derived by estimating the replacement or reproduction cost of improvements, then deducting estimated depreciation, and then adding the market value of the land, if any.

Proposed law retains present law but permits depreciation to be subtracted from replacement or reproduction costs specifically if caused by physical, functional, or external means.

Present law provides that in utilizing the income approach the assessor shall use an appraisal technique in which the anticipated net income is capitalized to indicate the capital amount of the investment which produces the net income.

Proposed law changes present law by requiring the assessor to use an income approach appraisal process technique in which the anticipated net income is capitalized to convert the future benefits of property ownership into an expression of present value.

Proposed law requires the assessor, when determining which appraisal value to use to consider:

- (1) The relevance of each approach to the property being valued.
- (2) The amount and accuracy of data used in each approach.
- (3) The strengths and weaknesses of each approach.

Proposed law provides that if the fair market value of property is determined by a method that considers the value of furniture, fixtures, or equipment in or on the real property, the furniture, fixtures, or equipment shall not be subject to additional valuation or taxation as personal property.

(Amends R.S. 47:2321 and 2323)