
DIGEST

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HB 414 Original

2023 Regular Session

Nelson

Abstract: Provides relative to state and local revenues derived from ad valorem taxes, sales and use taxes, income taxes, and taxes on capital; provides further for the state capital outlay budget, bonded debt, the homestead exemption, the Minimum Foundation program, local funding for the support of public education, and local funding of uncompensated health care delivered by hospitals.

Ad Valorem Tax – Parishes

Present constitution authorizes the governing authority of a parish to levy an ad valorem tax for general purposes not to exceed four mills on the dollar of assessed valuation. Permits increases in millage rates when approved by a majority of electors voting in an election held for that purpose.

Present constitution provides that when a parish governing authority increases a millage other than for general purposes, the increase shall go to the electors for approval and the proposition must state the specific purpose for which the tax is to be levied and the length of time for which the tax is to remain in effect.

Proposed constitutional amendment raises the maximum total millage that may be levied for general purposes by a parish governing authority from four mills to eight mills. Further provides that a parish governing authority may raise the total millage amount up to the limit provided in proposed constitutional amendment without approval of the voters.

Proposed constitutional amendment repeals present constitution providing special millage limits for Jackson Parish and for Orleans Parish.

Proposed constitutional amendment requires that responsibility for uncompensated care provided by a hospital shall be borne by the governing authority of the parish in which the hospital that delivered the care is physically located. Authorizes parish governing authorities to levy an ad valorem tax for the purposes of paying the cost of such care.

Effective Jan. 1, 2024.

Ad Valorem Tax – Municipalities

Present constitution authorizes the governing authority of a municipality to levy an ad valorem tax for general purposes not to exceed seven mills on the dollar of assessed valuation. Provides that if a municipality is exempt from payment of parish taxes or, under legislative or constitutional authority, maintains its own public schools, it may levy an annual tax not to exceed ten mills. Permits increasing millage rates when approved by a majority of electors voting in an election held for that purpose.

Present constitution provides that when a municipality's governing authority increases the millage other than for general purposes, the increase shall go to the electors for approval and the proposition must state the specific purpose for which the tax is to be levied and the length of time for which the tax is to remain in effect.

Proposed constitutional amendment raises the maximum total millage that may be levied for general purposes by a municipality's governing authority from seven mills to 14 mills. Further provides that the governing authority of a parish may raise the total millage amount up to 14 mills without approval of the voters.

Proposed constitutional amendment increases the maximum millage that a municipality may levy when it is exempt from payment of parish taxes or, under legislative or constitutional authority, maintains its own public schools from ten to 20 mills.

Effective Jan. 1, 2024.

State Sales and Use Tax

Present constitution exempts sales or purchases of food for home consumption, residential utilities, and prescription drugs from the state sales and use tax. Proposed constitutional amendment repeals present constitution.

Effective Jan. 1, 2024.

Sales and Use Taxes of Local Governmental Subdivisions and School Boards

Present constitution authorizes the governing authority of any local governmental subdivision or school board to levy and collect a sales and use tax if approved by a majority of the electors in an election held for that purpose. Further provides that the rate, when combined with all other sales and use taxes except those of the state, shall not exceed 3%. Proposed constitutional amendment retains present constitution.

Present constitution provides that the legislature, by general or by local or special law, may authorize the imposition of additional sales and use taxes by local governmental subdivisions or school boards if approved by a majority of the electors voting on the tax increase in an election held for that purpose. Proposed constitutional amendment repeals present constitution.

Present constitution provides that no changes in a sales tax imposed by a local governmental subdivision or school board shall affect or impair the security of any bonds payable from proceeds of that tax. Proposed constitutional amendment retains present constitution.

Effective Jan. 1, 2024.

Income Tax

Present constitution authorizes the levy of equal and uniform taxes on net income. Further provides the taxes may be graduated according to the amount of net income.

Proposed constitutional amendment repeals present constitution and prohibits taxes on net income or capital after Dec. 31, 2023.

Effective Jan. 1, 2024.

Capital Outlay

Present constitution requires the governor to submit to the legislature, at each regular session, a proposed five-year capital outlay program. Further provides that general obligation bonds may fund both state and nongovernmental entity projects.

Proposed constitutional amendment provides that, beginning July 1, 2024, no nongovernmental entity project shall be eligible for capital outlay funding; otherwise, retains present constitution relative to the state's capital budget.

Effective July 1, 2024.

Ad Valorem Tax – General Provisions

Present constitution provides that property subject to ad valorem taxation shall be reappraised and valued at intervals of not more than four years. Proposed constitutional amendment revises present constitution to provide instead that property shall be appraised and valued annually.

Present constitution provides that bona fide agricultural, horticultural, marsh, and timber lands shall be assessed for ad valorem tax purposes based upon a percentage of use value rather than a percentage of fair market value. Proposed constitutional amendment revises present constitution to cause marsh lands to be assessed based upon a percentage of fair market value.

Present constitution provides for ad valorem tax exemptions for property owned by nonprofit organizations operated exclusively for religious, burial, charitable, health, welfare, fraternal, or educational purposes. Proposed constitutional amendment revises present constitution to exempt from ad valorem taxation only property of nonprofit organizations that is used exclusively for

religious, cultural, or educational purposes.

Proposed constitutional amendment repeals present constitution exempting the following property from ad valorem taxation:

- (1) Certain medical equipment leased to a nonprofit organization which owns or operates a small, rural hospital as defined in present constitution.
- (2) Property leased to a nonprofit organization for use solely as housing for homeless persons, subject to certain conditions provided in present constitution.
- (3) Property of a bona fide labor organization representing its members or affiliates in collective bargaining efforts.
- (4) Property of a nonprofit organization such as a lodge or club organized for charitable and fraternal purposes.
- (5) Property of a nonprofit organization devoted to promoting trade, travel, and commerce.
- (6) Property of a trade, business, industry, or professional society or association owned by a nonprofit organization.
- (7) Irrevocably dedicated places of burial held by individuals for purposes of burial of themselves or members of their families.
- (8) Property used for cultural, Mardi Gras carnival, or civic activities and not operated for profit to the owners.

Present constitution authorizes the State Board of Commerce and Industry, with the approval of the governor, to enter into contracts for ad valorem property tax exemptions for property of new manufacturing establishments or additions to manufacturing establishments. Further provides that these contracts shall be for an initial term of no more than five years and may be renewed for an additional five years. Proposed constitutional amendment provides that, beginning on Jan. 1, 2024, new contracts and renewals of existing contracts for such exemptions shall be prohibited.

Proposed constitutional amendment requires reductions in millages in proportion to revenue changes resulting from additional types of properties, and portions of value of properties, becoming subject to ad valorem taxation pursuant to proposed constitutional amendment.
Effective Jan. 1, 2024.

Ad Valorem Tax – Business Inventory Exemption

Proposed constitutional amendment provides that, beginning January 1, 2024, items constituting business inventory, including goods which are held for sale, goods in production or for ultimate

consumption in the production of goods or services for sale, and goods utilized in marketing and distribution activities, shall be exempt from ad valorem taxation as follows:

- (1) For taxes payable in 2024, the value of the exemption shall be equal to 50% of the assessed value of the property.
- (2) For taxes payable in 2025, the value of the exemption shall be equal to 65% of the assessed value of the property.
- (3) For taxes payable in 2026, the value of the exemption shall be equal to 80% of the assessed value of the property.
- (4) For taxes payable in 2027 and thereafter, the value of the exemption shall be equal to 100% of the assessed value of the property.

Proposed constitutional amendment stipulates that property for which the ad valorem tax exemption authorized therein has been claimed shall not be treated as taxable property for purposes of any subsequent reappraisals and valuation for millage adjustment purposes pursuant to present constitution relative to adjustment of ad valorem tax millages (Const. Art. VII, §23(B)).

Effective Jan. 1, 2024.

Ad Valorem Tax – Homestead Exemption

Present constitution establishes a homestead exemption for certain owner-occupied property which exempts \$7,500 of the assessed value of that property from property tax.

Proposed constitutional amendment reduces the value of the homestead exemption over time according to the following schedule:

- (1) Beginning Jan. 1, 2024, the homestead exemption shall equal \$6,125 of the assessed value of the qualifying property.
- (2) Beginning Jan. 1, 2025, the homestead exemption shall equal \$4,750 of the assessed value of the qualifying property.
- (3) Beginning Jan. 1, 2026, the homestead exemption shall equal \$3,375 of the assessed value of the qualifying property.
- (4) Beginning Jan. 1, 2027 the homestead exemption shall equal \$2,000 of the assessed value of the qualifying property.

Effective Jan. 1, 2024.

Revenue Sharing Fund

Present constitution creates the Revenue Sharing Fund as a special fund in the state treasury. Provides that monies in the fund shall be distributed annually to parishes on the basis of population and number of homesteads in each parish in proportion to population and the number of homesteads throughout the state. Requires that \$90 million be allocated annually from the state general fund to the Revenue Sharing Fund.

Proposed constitutional amendment revises present constitution to provide that the \$90 million annual allocation to the Revenue Sharing Fund shall be effective only for fiscal years commencing prior to FY 2024-2025. Requires that allocations in ensuing years shall be reduced as follows:

- (1) For FY 2024-2025, the sum of \$67,500,000 shall be allocated from the state general fund to the revenue sharing fund.
- (2) For FY 2025-2026, the sum of \$45,000,000 shall be allocated from the state general fund to the revenue sharing fund.
- (3) For FY 2026-2027, the sum of \$22,500,000 shall be allocated from the state general fund to the revenue sharing fund.
- (4) For FY 2027-2028 and each fiscal year thereafter, no state general fund monies shall be allocated to the revenue sharing fund.

Present constitution authorizes political subdivisions to incur debt by issuing negotiable bonds and to pledge for the payment of such bonded debt monies derived, or to be derived, from the Revenue Sharing Fund. Proposed constitutional amendment repeals present constitution.

Effective Jan. 1, 2024.

Minimum Foundation Program

Present constitution establishes the Minimum Foundation Program (MFP) which provides for the establishment, allocation, and funding of the cost of K-12 education in public elementary and secondary schools. Requires the State Board of Elementary and Secondary Education (BESE) to annually develop and adopt a formula to determine the cost of K-12 education in all public elementary and secondary schools. Requires further that the formula equitably allocate funding to parish and city school systems.

Proposed constitutional amendment retains the framework for the MFP provided in present constitution but makes substantial changes to provisions for funding of the program by the state and local governing authorities, respectively.

Proposed constitutional amendment provides that cities, parishes, and other local public school districts having lower total property tax value per student within their boundaries shall receive a

higher proportionate share of the state's contribution to MFP funding.

For fiscal years 2024-2025 and thereafter, proposed constitutional amendment places the limits listed below on the amount of state general fund monies that may be appropriated annually to finance the state's share of the cost of the MFP. Requires city and parish school systems to pay the remainder of the cost and authorizes levying of ad valorem taxes necessary for such school systems to do so. Requires the legislature to appropriate the following amounts of state general fund monies annually to fund the state's share of the MFP:

- (1) For FY 2024-2025, no more than \$3,793,000,000.
- (2) For FY 2025-2026, no more than \$3,540,000,000.
- (3) For FY 2026-2027, no more than \$3,287,000,000.
- (4) For FY 2027-2028, no more than \$3,034,000,000.

Proposed constitutional amendment provides that for each fiscal year after FY 2027-2028, the maximum amount of state general fund monies appropriated for the MFP shall be capped at \$3,034,000,000; but authorizes the legislature to increase this amount by up to 2% by appropriating additional state general fund monies to the MFP in the general appropriation bill. Provides that if such an increase occurs, the increased amount shall constitute the new maximum and may in turn be increased by 2% in the future, at the legislature's discretion, as provided in proposed constitutional amendment.

Present constitution authorizes parishes to levy ad valorem taxes to fund their required contribution to the annual cost of the MFP but places specific limits on the millages associated with such taxes. Proposed constitutional amendment repeals these millage limits.

Proposed constitutional amendment requires that for the taxable years beginning Jan. 1, 2024, Jan. 1, 2025, Jan. 1, 2026, and Jan. 1, 2027, the ad valorem taxes imposed by city, parish, and other local school boards for operating, maintaining, or supporting a system of public schools shall be at millage rates sufficient to generate revenues at least equal to the sum of the following:

- (1) The total amount of revenue generated by the ad valorem taxes levied by the city, parish, or other local public school board for the last complete tax year immediately prior to the effective date of proposed constitutional amendment.
- (2) An amount equal to the difference between the total amount of state funds the city, parish, or other local public school board received pursuant to the provisions of proposed constitutional amendment in the last complete fiscal year immediately prior to the effective date of proposed constitutional amendment and the total amount of state funds it received pursuant to proposed constitutional amendment.

Proposed constitutional amendment provides that the duration of a local ad valorem tax levied for

operating, maintaining, or supporting a system of public schools shall not exceed four years, and that such tax may be levied without a vote of the electors of the district.

Proposed constitutional amendment provides that for the taxable year beginning Jan. 1, 2028, and continuing each year thereafter, a city, parish, or other local public school board may levy an ad valorem tax sufficient to fund its share of the MFP cost. Stipulates, however, that the levy must be approved by a majority of the electors and the duration of such levy may not exceed 10 years.

Effective Jan. 1, 2024.

Submission of Amendment to Voters

Provides for submission of proposed constitutional amendment to the voters at the statewide election to be held Oct. 14, 2023.

(Amends Const. Art. VI, §§26(A)-(C), 27, and 29, Art. VII, §§4(A), 11(C), 18(C) and (F)(1), 20(A)(1), 21(B) and (F), and 26(B), and Art. VIII, §(13)(B) and (C); Adds Const. Art. VI, §26.1 and Art. VII, §§21(O), 23.1, and 26(F); Repeals Const. Art. VI, §26(E) and Art. VII, §§2.2, 21(C)(10) and (12), and 26(E))