



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 11** HLS 243ES 15
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: November 22, 2024 3:00 PM	Author: DESHOTEL
Dept./Agy.: Local Govt, Tax Commission, Assessors	
Subject: Property Tax Law Restructuring, Optional Inventory Tax Exemption	Analyst: Benjamin Vincent

TAX/AD VALOREM TAX REF SEE FISC NOTE LF RV See Note Page 1 of 1
 Provides for the homestead exemption, special assessment level, and other property tax exemptions for purposes of determining ad valorem taxation of certain property (Items #1 and 10)

Assumed posture of proposed law includes amendments that were adopted as Senate Floor Amendments #171 and 182. These amendments appear to be technical and the remaining sections of this note are still assumed valid.

Proposed law generally replaces existing constitutional property tax provisions with statutory provisions, typically utilizing identical language. Proposed law establishes an optional full or partial local ad valorem tax exemption for business inventories, provided that multiple participants including sheriffs, school boards, and parish governing authorities all assent. For taxing authorities that opt to fully exempt business inventories, the bill partially offsets resulting revenue reductions with payments within 30 days of certification by LDR, apparently from the Revenue Stabilization Trust Fund (RSTF). Effectiveness is contingent on passage of a Constitutional amendment by a statewide election on March 29, 2025, which would be initiated by HB 7, should it become law.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total			\$0	\$0	\$0	\$0

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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

Proposed law would authorize payments out of existing funds within RSTF to political subdivisions, however further unspecified legislation would be required to enable and execute the payments. The timing of any such payments is thus unclear.

REVENUE EXPLANATION

The state revenue impact of proposed law is generated by the optional exemption for business inventories to local ad valorem taxes. A taxing authority would become eligible to receive a payment from a state trust fund should they allow the exemption, a decision which would be irrevocable.

The varying amounts specified for each participating parish are done so in an effort to offset three typical years' worth of recent inventory tax collections (with a maximum of \$15 million) for any parish enacting a full exemption. For parishes phasing the exemption in, the bill specifies a payment approximately equal to the prior year's collections. Over a five-year horizon, opting to adopt the exemption would reduce local revenues for any given parish.


The magnitude of any local or statewide fiscal impact is indeterminable, as participation in the full exemption is optional for any taxing authority. For illustrative purposes, in a scenario where each parish opted to receive their one-time payment authorized via full exemption, approximately \$563 million in payments out of the RSTF would be made to political subdivisions.

The bill additionally authorizes parishes to allow an effective partial exemption, by reducing the percentage of fair market value applicable to business inventory. This would reduce the tax liability for the property, to the degree that the percentage is reduced. Payments from the state that would partially offset any resulting revenue losses are not authorized for parishes utilizing this mechanism for reducing business inventory tax liability.

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.

As interest earned on RSTF monies accrue to the general fund under current law, decisions made by political subdivisions to receive the payment would mechanically reduce the amount of interest-earning money in the fund, and would therefore impact SGF revenues. For illustrative purposes, in a scenario where interest earnings were approximately 3%, removing \$543 million from the RSTF would reduce interest earnings to the general fund by approximately \$16 million (compounding) annually.

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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 Legislative Fiscal Officer