

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 517** HLS 13RS 810

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 25, 2013	5:18 PM	Author: BROADWATER
Dept./Agy.: Tax Commission		Analyst: Deborah Vivien
Subject: Outlines the method for FMV of heavy equipment for rent		

TAX/AD VALOREM TAX

OR SEE FISC NOTE LF RV

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Provides with respect to ad valorem taxes for heavy equipment rental property

Current law imposes an ad valorem tax on heavy equipment used as rental property, based on the fair market valuation of the equipment. Local assessors, under guidance of the LA Tax Commission, are responsible for establishing a fair market valuation, with the cost approach being the recommended methodology. Taxpayers may use other approaches to value the equipment with the approval of the local assessor. Dispute resolution is with the LA Tax Commission.

Proposed law appears to mandate that a certain methodology is implemented in determining the fair market value of heavy machinery rental equipment for purposes of ad valorem taxation.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	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 state governmental expenditures as a result of this measure. Presumably, using the fair market valuation approach as stated in the bill could require additional resources at the local level since additional and more frequent documentation could be required.

REVENUE EXPLANATION

The bill appears to limit the fair market valuation of heavy equipment used as rental property to the approach as outlined in the bill. Currently, this equipment is recommended to be valued using the the cost approach with depreciation and other adjustments, though the income and sales approaches are also accepted with the assessor's agreement that the result would more accurately state a fair market value. The fiscal impact cannot be determined with certainty. In discussions with the Tax Commission and with local assessors, a change in the tax base was not clear to either.

Senate

Dual Referral Rules

House

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

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