



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **HB 521** HLS 13RS 531  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 28, 2013 1:21 PM	<b>Author:</b> LEGER
<b>Dept./Agy.:</b> LA Tax Commission / Local Government	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Property Tax - Homestead Exemption Shift	

TAX/AD VALOREM-EXEMPTION OR SEE FISC NOTE LF RV Page 1 of 1  
 (Constitutional Amendment) Increases the amount of the homestead exemption and the level of a homestead's assessed valuation at which the homestead exemption applies

Currently, the first \$7,500 of assessed value of a homestead is exempt from state, parish, and special ad valorem taxes.

This bill would subject the first \$1,000 of assessed value of every home to property tax, then grant an expanded homestead exemption to the next \$9,500 of assessed value. The measure explicitly prohibits a reappraisal of property or an adjustment of millages as a result of this change to the homestead exemption.

To be submitted at the statewide election to be held on November 4, 2014. Effective January 1, 2015.

EXPENDITURES	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>				<b>\$0</b>

**EXPENDITURE EXPLANATION**

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

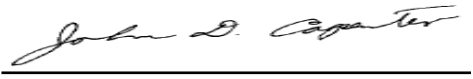
**REVENUE EXPLANATION**

The amount of local property tax revenue affected statewide by changing the homestead exemption in the manner provided by this bill may be an approximate shift of \$126 million. This estimate of revenue gain is arrived at from three components of analysis. First, subjecting the first \$1,000 of assessed value of every home to property tax generates some \$126 million (based on 2012 Tax Commission data reporting 1.162 million homesteads, an average millage of 108.2, and assuming all homes have at least \$1,000 of assessed value). Second, this tax revenue gain is offset by the loss of up to \$1,500 of assessed value on homes valued in excess of \$75,000 (this component of the change is essentially an increase in the homestead exemption of \$1,500 of assessed value), or a tax revenue reduction from this component of about \$126 million. The net aggregate effect is to shift local property tax burdens by some \$126 million per year, but result in essentially no change in total collections. Third, the bill appears to explicitly prohibit reappraisals or millage adjustments that might offset the revenue effect of this change in the structure of the homestead exemption.

It is possible that some homes will not have assessed values of at least \$1,000. To the extent that is the case, the net revenue gain would be somewhat smaller than estimated above.

The second component of this estimate was developed utilizing 2007-2011 American Community Survey 5-year Estimates Census data reporting the number of homes within several value brackets. This distribution was adjusted with LA Tax Commission data to reflect the 2012 number of homestead exemption applications. The average 2012 parish-wide millage was applied against that portion of the assessed value tax base, contained in the value brackets in excess of \$75,000, that would be removed from the homestead tax base as a result of this proposal. This method was tested against the Tax Commission's 2012 reported total amount of taxes foregone as a result of the homestead exemption in its entirety, and was found to generate an estimate some 19% too small on a statewide basis. That error was used to adjust the estimated decrease in tax base resulting from this proposal, resulting in the approximate revenue affected. This methodology is particularly sensitive to the census data home value distribution, and can result in significantly varying estimates as that data is updated.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<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}	

  
**John D. Carpenter**  
**Legislative Fiscal Officer**