

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 99** SLS 14RS 544

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 20, 2014	5:15 PM	Author: RISER
Dept./Agy.: LA Tax Commission		Analyst: Greg Albrecht
Subject: Ad Valorem Taxation - Bank Stock Fair Market Value		

BANKS/BANKING

EN SEE FISC NOTE LF RV See Note

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Provides for determining the fair market value of bank stock for purposes of tax assessment. (8/1/14)

Current law establishes criteria for determining the fair market value of bank stock for ad valorem taxation. Stockholder equity is given an 80% weight and net earnings is given a 20% weight. Negative earnings are are not to be considered. The LA Tax Commission assesses bank stock and distributes the value to the ad valorem tax base of the parishes around the state.

Proposed law requires negative earnings be included in the valuation.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	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 governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Currently, if a bank being assessed were to have negative earnings, the Tax Commission includes no net earnings into its valuation of that bank's bank stock for ad valorem tax purposes. This bill requires that the negative earnings amount be utilized, and can only work to reduce the fair market value and consequently the assessed value of the bank. To the extent this occurs, affected local governments would have a reduced ad valorem tax base and less tax revenue from these properties.

According to the LA Tax Commission, banks being assessed by the Commission only infrequently experience negative earnings, and these loss amounts are not typically large. The La Bankers Assn. has testified that there were 6 banks out of 150 that reported negative earnings in 2012 and 2011. However, negative earnings experienced by a large bank (operating across a multi-state region or nationwide) could result in a material reduction in the tax base and tax receipts from these properties.

To the extent millage adjustments occur as the assessed value of tax bases changes, as result of this bill and all other changes to total assessed value, the effect of the bill may be reflected more as a shifting of tax burdens than an absolute loss of tax revenue.

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| <input type="checkbox"/> Senate | <input type="checkbox"/> <u>Dual Referral Rules</u> | <input type="checkbox"/> House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & 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