

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **SB 39** SLS 16RS 94  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 18, 2016 9:23 AM	<b>Author:</b> GATTI
<b>Dept./Agy.:</b> LA Tax Commission / Local Government	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Property Tax - Homestead Exemption Shift	

TAX EXEMPTIONS OR SEE FISC NOTE LF RV Page 1 of 1  
 Constitutional amendment increasing level of assessed valuation at which homestead exemption applies. (2/3 - CA13s1(A))

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

This bill would exempt the first \$1,000 of assessed value from property tax, then subject to tax the value from \$1,000 to \$3,500, then exempt the value from \$3,500 to \$10,000. Value greater than \$10,000 would then be taxable.

To be submitted at the statewide election to be held on November 8, 2016. Effective January 1, 2018.

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
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>

  

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
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 liability affected statewide by changing the homestead exemption in the manner provided by this bill may be an approximate \$87 million increase.

Total statewide property tax liabilities were estimated under the current homestead exemption (some \$1.204 billion). Total statewide property tax liabilities were estimated under the parameters of this bill (some \$1.291 billion). Thus, the net aggregate effect of the bill is some \$87 million greater statewide aggregate property tax liabilities than under current law.

Changes in the homestead exemption may result in millage adjustments {Art. VII §23(B)} such that the total amount of taxes collected in the year does not differ from the amount collected in the preceding year. In addition, local assessors can reappraise property on an annual basis. Thus, one of the effects of the bill is likely to be a shifting of the incidence of the property tax burden among homeowners as wells as among owners of other types of property, rather than necessarily an aggregate increase in property tax collections of the amount estimated above.

The estimate was developed utilizing 2010-2014 American Community Survey 5-year Estimate Census data reporting the number of homes within several value brackets. This distribution was adjusted with LA Tax Commission data to reflect the 2015 actual number of homestead exemption applications. The statewide average 2015 parish-wide millage (110.1 mills) was applied against that portion of the assessed value tax base in the current law and new law scenarios. This method was tested against the Tax Commission's 2015 reported total amount of taxes foregone as a result of the homestead exemption in its entirety, and was found to generate an estimate some 7.2% too large on a statewide basis. That error was used to adjust the estimates in this analysis, resulting in the approximate revenue difference. This methodology is sensitive to the census data home value distribution, and can result in significant variation as that data is updated. Error in the total property tax estimates under the two homestead exemption regimes exists in both calculations, and is not likely to be a material issue in the difference between the two scenarios which is the fiscal note result.

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