HLS 17RS-288 ENGROSSED

2017 Regular Session

1

HOUSE BILL NO. 448

BY REPRESENTATIVE ABRAMSON

TAX/AD VALOREM-EXEMPTION: (Constitutional Amendment) Establishes eligibility requirements for the exemption for property owned or leased by a nonprofit organization in Orleans Parish, authorizes adjustment of the status and extent of the exemption by the Orleans Parish governing authority, and requires downward adjustment of all affected millages to prevent any resulting increase in the amount of taxes collected

A JOINT RESOLUTION

2	Proposing to amend Article VII, Section 21(B)(3) and to add Article VII, Section 21(B)(4)
3	and (5) of the Constitution of Louisiana, to provide relative to ad valorem taxation;
4	to establish requirements for the exemption for nonprofit organizations in Orleans
5	Parish; to authorize the Orleans Parish governing authority to provide with respect
6	to the applicability and extent of certain exemptions subject to voter approval; to
7	require downward adjustment of millages in the year of implementation; to provide
8	for limitations; to provide for effectiveness; to provide for submission of the
9	proposed amendment to the electors; and to provide for related matters.
10	Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of the members
11	elected to each house concurring, that there shall be submitted to the electors of the state of
12	Louisiana, for their approval or rejection in the manner provided by law, a proposal to
13	amend Article VII, Section 21(B)(3), and to add Article VII, Section 21(B)(4) and (5) of the
14	Constitution of Louisiana, to read as follows:
15	§21. Other Property Exemptions
16	Section 21. In addition to the homestead exemption provided for in Section
17	20 of this Article, the following property and no other shall be exempt from ad
18	valorem taxation:
19	* * *

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

I	(B)	

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(3) property Property of an organization such as a lodge or club organized for charitable and fraternal purposes and practicing the same, and property of a nonprofit corporation devoted to promoting trade, travel, and commerce, and also property of a trade, business, industry or professional society or association, if that property is owned by a nonprofit corporation or association organized under the laws of this state for such purposes.

(4) None of the property listed in Paragraph (B) shall be exempt if owned, operated, leased, or used for commercial purposes unrelated to the exempt purposes of the corporation or association; however, in Orleans Parish the exemption provided for in this Paragraph shall not apply if the property has been vacant for longer than two years or the property is not exclusively used for the exempt purpose of the corporation or association. For purposes of this Subparagraph, "exclusive use" occurs when no more than five percent of the corporation's or association's annual revenues derived from that parcel are required to be reported as taxable income for purposes of federal taxation.

- (5)(a) Notwithstanding any other provision of this constitution to the contrary, each exemption established in Subparagraphs (1) through (3) of this Paragraph, which are referred to hereinafter in this Subparagraph collectively as "existing exemptions", shall be effective and applicable in Orleans Parish unless and until a change in a specific exemption is made by the parish governing authority, and approved by the electors, as provided in this Subparagraph.
- (i) Notwithstanding any other provision of this Section to the contrary, the Orleans Parish governing authority may reduce or otherwise limit ad valorem tax exemptions provided for in Subparagraphs (1) through (3) of this Paragraph; however, in no case shall a tax exemption for a particular property be applicable to less than fifty percent of the assessed value of the property. A reduction or limitation in an ad valorem tax exemption shall not become effective unless it is authorized by

1	a resolution or ordinance adopted by the parish governing authority, and thereafter
2	approved by the electors in Orleans Parish, as required in Item (ii) of this
3	Subparagraph.
4	(ii) The Orleans Parish governing authority may provide by resolution or
5	ordinance, hereinafter referred to as "ordinance", for the applicability or extent of
6	any existing exemption. The ordinance shall designate the specific exemption to be
7	affected, and an ordinance may contain changes to more than one specific
8	exemption. The ordinance shall only become effective upon the approval of a
9	majority of the electors in Orleans Parish voting thereon in an election held for that
10	purpose. Any change in an existing exemption which is approved by the electors
11	shall become effective on the first day of the calendar year following the year in
12	which it was approved by the electors, and is deemed to be an instance of
13	implementation of the provisions of this Subparagraph. If not approved by the
14	electors, an ordinance to effect a change in an existing exemption shall have no
15	effect.
16	(b) The total amount of ad valorem taxes collected by any taxing authority
17	in Orleans Parish in the year in which the provisions of this Subparagraph are
18	implemented shall not be increased, as a result of such implementation, above the
19	amount of ad valorem taxes collected in the year preceding the implementation. To
20	accomplish this result, it shall be mandatory for each affected taxing authority to
21	adjust millages downwards without regard to millage limitations otherwise contained
22	in this constitution. The maximum authorized millages shall be decreased in
23	proportion to the amount of adjustment downward. Thereafter, such millages shall
24	remain in effect unless changed as permitted by this constitution.
25	* * *
26	Section 2. Be it further resolved that the provisions of the amendment contained in
27	this Joint Resolution shall become effective on January 1, 2019.

1 Section 3. Be it further resolved that this proposed amendment shall be submitted to the electors of the state of Louisiana at the statewide election to be held on October 14, 2 3 2017. 4 Section 4. Be it further resolved that on the official ballot to be used at said election 5 there shall be printed a proposition, upon which the electors of the state shall be permitted 6 to vote YES or NO, to amend the Constitution of Louisiana, which proposition shall read as 7 follows: 8 Do you support an amendment concerning the ad valorem tax exemption for 9 property of a nonprofit organization in Orleans Parish to require that the 10 property be in use exclusively for the exempt purpose of the organization, 11 and further to authorize the Orleans Parish governing authority, with voter 12 approval, to limit or reduce ad valorem tax exemptions for nonprofit organizations by up to 50% of the property value, and in such event to 13 14 require a concurrent downward adjustment of millages to reflect any 15 resulting change in the tax base due to a change in an exemption? (Effective 16 January 1, 2019) (Amends Article VII, Section 21(B)(3), Adds Article VII, 17 Section 21(B)(4) and (5))

## DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 448 Engrossed

2017 Regular Session

Abramson

**Abstract:** Limits eligibility for the ad valorem tax exemption in Orleans Parish for a nonprofit organization to property that is in use exclusively for the exempt purpose of the organization, and authorizes adjustment of the extent of the tax exemption by the Orleans Parish governing authority, subject to voter approval, and requiring concurrent downward adjustment of millages to reflect any resulting changes in the tax base.

<u>Present constitution</u> provides for the classification and assessment of property subject to ad valorem taxation. Further provides certain exemptions to ad valorem taxes.

<u>Present constitution</u> authorizes an exemption for property owned by a nonprofit corporation or association organized and operated exclusively for the following purposes:

- (1) Religious.
- (2) Dedicated places of burial.
- (3) Charitable.
- (4) Health and welfare.
- (5) Educational.
- (6) A charitable or fraternal club or lodge.
- (7) Promotion of trade, travel, and commerce.
- (8) A professional society or association for trade, business, or industry.

<u>Present constitution</u> authorizes an exemption for property leased to a nonprofit corporation or association for use solely for the following purposes:

- (1) Housing for homeless persons.
- (2) Property of a bona fide labor organization representing its members or affiliates in collective bargaining efforts.

<u>Present constitution</u> provides that none of the property of nonprofit corporations or organizations shall be exempt if owned, operated, leased, or used for commercial purposes unrelated to the exempt purposes of the corporation or association.

<u>Proposed constitutional amendment</u> retains <u>present constitution</u> and prohibits eligibility for the exemption for property in Orleans Parish if the property has been vacant for longer than two years or is not wholly devoted to and exclusively used for the exempt purpose of the corporation or association. For purposes of <u>proposed constitutional amendment</u> "exclusive use" occurs when no more than 5% of the nonprofit entity's annual revenue from that property is required to be reported as taxable income for purposes of federal taxation.

<u>Proposed constitution</u> adds authority for the Orleans Parish governing authority, by ordinance and with voter approval, to provide for the applicability or extent of exemptions for nonprofit organizations. A reduction in the amount of a tax exemption shall not exceed fifty percent of the assessed value of the property. Any change in an exemption shall become effective on the first day of the calendar year following the year in which it was approved and shall be deemed to be an implementation of proposed constitution.

<u>Proposed constitution</u> requires that in any year in which the provisions of <u>proposed constitution</u> are implemented, all millages in Orleans Parish shall be adjusted downward to prevent any increase in the amount of taxes collected due to the provisions of <u>proposed constitution</u>. To accomplish this result, each taxing authority is required, in any year of implementation, to adjust millages downwards without regard to millage limitations contained in <u>present constitution</u>, and the maximum authorized millages shall be decreased, without further voter approval. Thereafter, such millages shall remain in effect unless changed as permitted by <u>present constitution</u>.

Provides for submission of the proposed amendment to the voters at the statewide election to be held Oct. 14, 2017.

Effective Jan. 1, 2019.

(Amends Const. Art. VII, §21(B)(3); Adds Const. Art. VII, §21(B)(4) and (5))

## Summary of Amendments Adopted by House

The Committee Amendments Proposed by <u>House Committee on Ways and Means</u> to the <u>original</u> bill:

1. Add restrictions for eligibility for the exemption concerning vacant property and proportions of revenue from such property being subject to reporting as taxable income for purposes of federal taxes.