



OFFICE OF LEGISLATIVE AUDITOR
Fiscal Note

Fiscal Note On: HB 448 HLS 17RS 288
Bill Text Version: ENGROSSED
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 12, 2017 4:19 PM Author: ABRAMSON
Dept./Agy.: Orleans Parish Nonprofits Analyst: Barbara Lively
Subject: Property Tax - Exemption for Nonprofits

TAX/AD VALOREM-EXEMPTION EG SEE FISC NOTE LF RV See Note Page 1 of 1

(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
Purpose of the Bill: Constitutional Amendment provides that no exemption will be granted for vacant property that has been vacant for more than two years or property not exclusively used for the exempt purpose of the non-profit. The bill also defines "exclusive use". In addition, the bill provides that the governing authority of Orleans Parish, if adopted by the parish governing authority and approved by the electors in Orleans Parish, can reduce or limit ad valorem "existing exemptions" for the assessed value for property owned/leased by nonprofit corporations and associations. However, in no case shall the tax exemption for a particular property be applicable to less than fifty percent of the assessed value of the property. In the year of implementation, taxes shall not increase above the amount collected in the preceding year by adjusting downwards the millages to reflect any changes in the tax base.

To be submitted at the statewide election to be held on October 14, 2017. Effective January 1, 2019.

Table with 7 columns: EXPENDITURES, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on local governmental expenditures as a result of this measure. The election on October 14, 2017 is a statewide election. The addition of constitutional amendments will not increase election costs unless the number of constitutional amendments exceeds 10 amendments. However, if elections are called for reduction/limitation of existing exemptions in the future, local government expenditures may increase.

REVENUE EXPLANATION

This impact of this bill on local government revenue is indeterminable at this time.

This bill clarifies that property not exclusively used for the purpose of the nonprofit will be subject to taxation. It further provides that vacant property owned by a nonprofit would be subject to taxation.

According to an official with the Orleans Tax Assessor's office, all property and buildings owned/leased by nonprofit organizations are currently being taxed if the building is used for a purpose unrelated or not wholly devoted and exclusively used for the nonprofit's purpose. However, amendments to the bill provide that "exclusive use" occurs when no more than 5% of annual revenues are required to be reported as taxable income. If this provision increases properties that can claim exemption, revenues of Orleans Parish may decrease, however, the overall impact is indeterminable at this time.

According to the Assessor's Office, there are 2,141 parcels of vacant property owned by nonprofits that have an assessed value of \$2,163,699 that could be added to the tax rolls. If all the property were added in 2019, estimated taxes based on the current assessed value of the property and all the current millage rates of the City Parish would yield approximately \$410,000. However, the Assessor's Office did not have information on the length of time that property was vacant (which may reduce this potential increase).

The bill also provides that the Orleans Parish governing authority may reduce or limit "existing exemptions."

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. Such reduction/limitation is contingent on passage of a resolution/ordinance by the governing authority and approval by the voters of the parish. Also, millages will be rolled back so that revenue in the year of implementation will not exceed the previous year's revenue collections.

Senate Dual Referral Rules
13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Signature of Michael G. Battle
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