

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



Fiscal Note On: **HB 382** HLS 18RS 142

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> March 20, 2018 9:40 AM	<b>Author:</b> CONNICK
<b>Dept./Agy.:</b> Tax Commission	<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Public Service Property Assessment Procedures	

TAX/AD VALOREM TAX OR INCREASE GF EX See Note Page 1 of 1  
Provides with respect to the development of appraisals and assessments of public service properties by the La. Tax Commission

Proposed law requires the LA Tax Commission (LTC) to establish a risk-based audit program to verify accuracy of self-reported information, and requires that public service companies incorporate expected future income growth within the income approach for the purposes of appraising fair market value for these properties. Proposed law requires LTC to conduct a capitalization rate study no less than every three years, to establish rules for procedures, methods, and formulas used in appraisals, and to establish a standard range of growth rates to be used in income approach valuations. Proposed law requires the LA Legislative Auditor (LLA) to conduct performance audits of appraisal methods of the valuation of public service properties every three years beginning in 2019, and requires LTC to maintain record of the rationale used in determining the method used in each appraisal. Proposed law also establishes factors to be used in the allocation of the assessed value of movable property owned or used in Louisiana by a company that is not a resident of or domiciled in the state; re-distributing these assessments from East Baton Rouge Parish to other parishes. Governor's signature.

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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><u>\$0</u></b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Several of the provisions of proposed law require LTC to increase the amount of services conducted by the agency, including a risk-based audit program, capitalization rate studies, increased record retention, and new requirements for the promulgation of required standards and methods of public service property appraisal.

To the extent that these increased responsibilities require additional LTC resources, expenditures will increase. LTC has not provided an estimate of an increase, if any, in expenditures associated with proposed law.

Additionally, proposed law requires performance audits of public service property appraisals, and reports on the audits every three years by the Legislative Auditor (LLA). LLA reports that the performance audits and the reports will require additional expenditures of approximately \$44,000 of staff time and resources every three years.

**REVENUE EXPLANATION**

Current law provides that the assessed values of property owned or used in Louisiana by a company that is not a resident of or domiciled in Louisiana is allocated to East Baton Rouge Parish for the purpose of ad valorem taxation. Proposed law provides that such property will be allocated to the local taxing unit in which it has its primary business connections. To the extent that such property is owned or used in the state but outside of East Baton Rouge Parish, the assessed value tax base of East Baton Rouge parish will decrease, and the tax base of other local governments will increase as this property is re-allocated within the state. Millage adjustments may mitigate the revenue effects to local governments, with consequent shifting of the property tax burden among taxpayers in these locales.

Additionally, dedicated fee revenue to the Tax Commission may be impacted over time if proposed law results in material changes to public service property assessments. The direction and magnitude of this potential impact is unknown.

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}

*Gregory V. Albrecht*  
**Gregory V. Albrecht**  
**Chief Economist**