

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



Fiscal Note On: **HB 525** HLS 20RS 407  
 Bill Text Version: **ENROLLED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> June 2, 2020 3:27 PM	<b>Author:</b> HILFERTY
<b>Dept./Agy.:</b> La Tax Commission / Local Governments	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Homestead Exemption Special Assessment Level	

TAX/AD VALOREM TAX EN SEE FISC NOTE LF RV See Note Page 1 of 1  
 (Constitutional Amendment) Removes the income limitation for qualifying for the special assessment level

Current constitution provides a special assessment level (frozen assessed value) to homesteads owned by people 65-years old or older, or have at least a 50% military service-connected disability rating, or armed forces members killed or missing in action or were prisoners of war for more than 90-days, or are totally disabled. Special assessment is only available to those with federal adjusted gross income less than an annual amount (adjusted for inflation each year). The current threshold is \$77,030.

Proposed constitutional amendment rebases the income limitation for receiving the special assessment \$100,000, and continues the current law inflation adjusted beginning with 2026.

To be submitted to the electors at the statewide election to be held on November 3, 2020.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
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>

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
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>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<b>\$0</b>
<b>Annual Total</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**

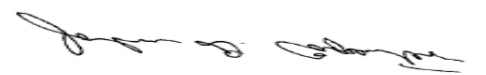
The Louisiana Tax Commission 2019 Annual Report indicates that a total of 180,803 special assessments are currently in place. Nearly 90% of these assessments (161,929) apply to persons age-65 or older, with just over 10% applied to disabled categories or persons. Increasing the income limitation for availability of the special assessment can only work to increase the number of such assessments, and consequently reduce the future growth of the residential property tax base for local governments. The magnitude of such an effect is uncertain, and millage adjustments are likely to shift the ad valorem tax burden as growth in this portion of the tax base is constrained.

Current U.S. Census data implies that there are almost 716,000 residents of the state age 65 or older. U.S. Labor Dept. consumer expenditure survey data for the South indicates that over 80% of this age group are homeowners. Even though one-third of homesteads in the state are 100% homestead exempt and some material share of these residents are likely to share a homestead, this has been a declining share as home values have risen over time. Thus, population count data suggests that it is possible that the number of special assessments could increase significantly.

However, the income limitation is already fairly high at over \$77,000, and U.S. Census data for the U.S. estimates that only about 28% of the age-65 or older population has household income over \$75,000. The median income of the age 65-74 cohort is only \$52,465, and for the 75 or older cohort only \$34,925. Even the average income of these age cohorts is less than the current special assessment income threshold at \$76,669 and \$54,416, respectively (average income figures tend to be less representative). Thus, considering that incomes of state residents tend to be lower than for the U.S. as a whole, as well as the income distribution of the affected population in the context of the current income threshold, it seems possible that most age-65 or older homeowners in the state are already eligible for and/or receiving the special assessment. Additional special assessments are still likely with the increased income limitation, but not as many as population counts may suggest.

In addition, the bill holds the stepped up \$100,000 income limitation until 2026, before allowing inflation adjusted thereafter. This works to freeze the effect of the step-up on the ad valorem tax base for five years.

<p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 &gt;= \$100,000 Annual Fiscal Cost {S &amp; H}</p> <p><input type="checkbox"/> 13.5.2 &gt;= \$500,000 Annual Tax or Fee Change {S &amp; H}</p>	<p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) &gt;= \$100,000 SGF Fiscal Cost {H &amp; S}</p> <p><input type="checkbox"/> 6.8(G) &gt;= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p>
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**John D. Carpenter**  
**Legislative Fiscal Officer**