

2021 Regular Session

HOUSE BILL NO. 613

BY REPRESENTATIVE ROMERO

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

TAX/AD VALOREM TAX: Provides for the determination of fair market value for purposes of ad valorem property taxation

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19

AN ACT

To amend and reenact R.S. 47:2321 and 2323, relative to ad valorem taxation; to provide for the definition of fair market value; to provide for the requirements of certain uniform guidelines implemented to determine fair market value; to provide for the market approach, the cost approach, and the income approach in determining fair market value; to require the assessor to continuously collect certain data; to provide for a definition of comparable sales; to provide for certain types of depreciation; to provide for net income capitalization; to provide for valuation methodologies requiring the consideration of furniture, fixtures or other equipment; to provide for certain requirements and limitations; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 47:2321 and 2323 are hereby amended and reenacted to read as follows:

§2321. Fair market value; defined

Fair market value is the price for property which would be agreed upon between a willing and informed buyer and a willing and informed seller under usual and ordinary circumstances; ~~it~~ Fair market value shall be the highest price estimated in terms of money which or the equivalent of, under prevailing market conditions that the property will bring if exposed for sale on the open market with reasonable

1 time allowed to find a purchaser who is buying with knowledge of all the uses and  
2 purposes to which the property is best adapted and for which it can be legally used.

3 \* \* \*

4 §2323. Criteria for determining fair market value; real and personal property;  
5 unoccupied residential immovable property

6 A. The criteria for determining fair market value shall apply uniformly  
7 throughout the state. Uniform guidelines, procedures and rules and regulations as  
8 are necessary to implement said criteria shall be adopted by the Louisiana Tax  
9 Commission only after public hearings held pursuant to the Administrative  
10 Procedure Act. The uniform guidelines, procedures, and rules and regulations shall  
11 comply with appraisal publications of the International Association of Assessing  
12 Officers.

13 B. Each assessor shall follow the uniform guidelines, procedures, and rules  
14 and regulations in determining the fair market value of all property subject to  
15 taxation within his respective parish or district. Any manual or manuals used by an  
16 assessor shall be subject to approval by the Louisiana Tax Commission or its  
17 successor agency. The fair market value of property shall be determined based upon  
18 the individual characteristics of the property that affect the market value of the  
19 property. The same or similar methods and techniques shall be used to determine the  
20 fair market value of same or similar types of property. The assessor shall utilize all  
21 available data that is specific to the valuation of property used to determine the fair  
22 market value of property.

23 C. ~~Criteria.~~

24 The fair market value of real and personal property shall be determined by  
25 the following generally recognized appraisal procedures: the market approach, the  
26 cost approach, ~~and/or~~ or the income approach, or a combination of the three.

27 (1)(a) In utilizing the market approach, the assessor shall use an appraisal  
28 technique in which the market value estimate is predicated upon prices paid in actual  
29 market transactions and current listings.

1           (b) The assessor shall continuously collect relevant comparable sales data  
2           within his respective parish or district. The sales data shall be used to determine the  
3           fair market value of property in the applicable parish or district.

4           (c) For the purposes of this Section, comparable sales data shall only include  
5           data from sales which have occurred within twenty-four months of the date in which  
6           the fair market value of a property is to be determined.

7           (d) A sale may be considered a comparable sale if there were not enough  
8           comparable properties sold during the time period provided for in Subparagraph (c)  
9           of this Paragraph to constitute a representative sample.

10           (2) In utilizing the cost approach, the assessor shall use a method in which  
11           the value of a property is derived by estimating the replacement or reproduction cost  
12           of the improvements; ~~deducting therefrom the estimated~~ physical, functional or  
13           external depreciation; and then adding the market value of the land, if any.

14           (3) In utilizing the income approach, the assessor shall use an appraisal  
15           technique in which the anticipated net income is capitalized to ~~indicate the capital~~  
16           ~~amount of the investment which produces the net income~~ convert the future benefits  
17           of property ownership into an expression of present value.

18           D.(1) In determining which appraisal procedure to use for the final  
19           determination of fair market value, the assessor shall consider:

20           (a) The relevance of each approach to the property being valued.

21           (b) The amount and accuracy of the data used in each approach.

22           (c) The strengths and weaknesses of each approach.

23           (2) If the fair market value of property is determined by a method that  
24           considers the value of furniture, fixtures, or equipment in or on the real property, the  
25           furniture, fixtures, and equipment shall not be subject to additional valuation or  
26           taxation as personal property.

27           ~~D:~~ E. When performing a valuation of unoccupied residential immovable  
28           property held for sale by a juridical person prior to the initial occupancy of such  
29           property, the assessor may when considering the income approach to value consider

1 factors such as the estimated sales price of the unoccupied immovable property, the  
2 estimated holding period needed to sell the property, expenses, including expenses  
3 incurred during the holding period, and the capitalization rate which includes the  
4 economic risks associated with the holding period. For purposes of this Section, the  
5 initial occupancy shall mean the first occupancy of the property by a natural person,  
6 as well as occupancy by a natural person after substantial modification has been  
7 made to the property.

8 E.F. When performing a valuation of any affordable rental housing property,  
9 the assessor shall not consider any of the following in determining fair market value:

10 (1) Income tax credits available to the property under Section 42 of the  
11 Internal Revenue Code.

12 (2) Below-market interest rate on financing obtained under the Home  
13 Investment Partnership Program under the Cranston-Gonzales National Affordable  
14 Housing Act, or the Federal Home Loan Bank Affordable Housing Program  
15 established pursuant to the Financial Institution Reform, Recovery, and Enforcement  
16 Act of 1989.

17 (3) Any other federal, state, or similar program intended to provide or  
18 finance affordable rental housing to persons of low or moderate income and  
19 requiring restricted occupancy and rental rates based on the income of the persons  
20 occupying such housing.

---

#### 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 613 Original

2021 Regular Session

Romero

**Abstract:** Provides for certain requirements and considerations in determining the fair market value of certain property for the purpose of assessing ad valorem tax.

Present law defines fair market value as the price for property which would be agreed upon between a willing and informed buyer and a willing and informed seller under usual and ordinary circumstances. Further provides the fair market value shall be the highest price estimated in terms of money which the property will bring if exposed for sale on the open market.

Proposed law changes the definition of fair market value from the highest price estimated in terms of money to the price estimated in terms of money or the equivalent of, under prevailing market conditions that the property will bring if exposed for sale on the open market.

Present law requires the criteria for determining fair market value to be applied uniformly throughout the state, and that uniform guidelines, procedures and rules be adopted by the La. Tax Commission only after public hearings pursuant to the Administrative Procedure Act.

Proposed law requires uniform guidelines, procedures and rules to comply with appraisal publications of the International Association of Assessing Officers.

Present law requires each assessor to follow the uniform guidelines, procedures and rules in determining fair market value of property subject to taxation in his parish or district. Further requires any manual used by the assessor to be subject to approval by the La. Tax Commission.

Proposed law requires the fair market value to be determined based upon the individual characteristics of the property that affect market value. Further requires the same or similar methods to be used to determine the fair market value of same or similar types of property. The assessor shall utilize all available data specific to the valuation process of property.

Present law requires the fair market value of real and personal property to be determined by the market approach, the cost approach, the income approach, or a combination of the three.

Present law provides that in utilizing the market approach the assessor shall use an appraisal technique in which the market value estimate is predicated upon prices paid in actual market transactions and current listings.

Proposed law retains present law but adds a requirement that the assessor continuously collect relevant comparable sales data and that the data be used to determine the fair market value of property in the applicable parish or district.

Proposed law limits comparable sales data to data from sales which have occurred within 24 months of the date in which the fair market value of a property is to be determined. Further provides a sale may be considered a comparable sale if there were not enough comparable properties sold during the 24 month period to constitute a representative sample.

Present law provides that in utilizing the cost approach the assessor shall use a method in which the value of a property is derived by estimating the replacement or reproduction cost of improvements, then deducting estimated depreciation, and then adding the market value of the land, if any.

Proposed law retains present law but permits depreciation to be subtracted from replacement or reproduction costs specifically if caused by physical, functional, or external means.

Present law provides that in utilizing the income approach the assessor shall use an appraisal technique in which the anticipated net income is capitalized to indicate the capital amount of the investment which produces the net income.

Proposed law changes present law by requiring the assessor to use an income approach appraisal process technique in which the anticipated net income is capitalized to convert the future benefits of property ownership into an expression of present value.

Proposed law requires the assessor, when determining which appraisal value to use to consider:

- (1) The relevance of each approach to the property being valued.

- (2) The amount and accuracy of data used in each approach.
- (3) The strengths and weaknesses of each approach.

Proposed law provides that if the fair market value of property is determined by a method that considers the value of furniture, fixtures, or equipment in or on the real property, the furniture, fixtures, or equipment shall not be subject to additional valuation or taxation as personal property.

(Amends R.S. 47:2321 and 2323)