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## DIGEST

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HB 526 Engrossed

2021 Regular Session

Nelson

**Abstract:** Provides relative to state and local revenue.

### **Parish Ad Valorem Tax**

Present constitution authorizes the governing authority of a parish to levy an ad valorem tax for general purposes not to exceed four mills. Permits increasing millage rates when approved by a majority of electors voting in an election held for that purpose.

Present constitution provides when a parish governing authority increases the millage other than for general purposes the increase shall go to the electors of approval and the proposition must state the specific purpose for which the tax is to be levied and length of time for which the tax is to remain in effect.

Proposed constitutional amendment raises the maximum amount of mills that may be levied for general purposes by a governing authority of a parish from an amount not exceeding four mills to an amount not exceeding eight mills. Further provides that the governing authority of a parish may raise the amount of mills up to eight mills without approval of the voters.

Present constitution provides the maximum millage parish governing authority may levy in Orleans Parish is seven mills and five mills in Jackson Parish.

Proposed constitutional amendment repeals present constitution.

Effective Jan. 1, 2023.

### **Municipality Ad Valorem Tax**

Present constitution authorizes the governing authority of a municipality to levy an ad valorem tax for general purposes not to exceed seven mills. If a municipality is exempt from payment of parish taxes or under legislative or constitutional authority maintains its own public schools, it may levy an annual tax not to exceed ten mills. Permits increasing millage rates when approved by a majority of electors voting in an election held for that purpose.

Present constitution provides when a municipality governing authority increases the millage other than for general purposes the increase shall go to the electors of approval and the proposition must state the specific purpose for which the tax is to be levied and length of time for which the tax is to

remain in effect.

Proposed constitutional amendment raises the maximum amount of mills that may be levied for general purposes by a governing authority of municipality from an amount not exceeding seven mills to an amount not exceeding 14 mills. Further provides that the governing authority of a parish may raise the amount of mills up to 14 mills without approval of the voters.

Proposed constitutional amendment increases the maximum millage that a municipality may levy when it is exempt from payment of parish taxes or under legislative or constitutional authority maintains its own public schools from ten to 20 mills.

Effective Jan. 1, 2023.

### **State Sales and Use Tax**

Present constitution provides for state sales and use tax exemptions on food for home consumption, residential utilities, and prescription drugs.

Proposed constitutional amendment repeals present constitution.

Effective Jan. 1, 2023.

### **Local Governmental Subdivision and School Board Sales and Use Tax**

Present constitution authorizes the governing authority of any local governmental subdivision or school board to levy and collect a sales and use tax if approved by a majority of the electors in an election held for that purpose. Further provides that the rate, when combined with all other sales and use taxes except those of the state shall not exceed three percent.

Proposed constitutional amendment retains present constitution.

Present constitution provides that the legislature by general local or special law may authorize the imposition of additional sales and use taxes by local governmental subdivisions or school boards if approved by a majority of electors.

Proposed constitutional amendment repeals present constitution.

Present constitution provides that no changes in sales tax shall affect or impair the security of any bonds payable from proceeds of any sales and use tax levied by a local governmental subdivision. Proposed constitutional amendment retains present constitution.

Effective Jan. 1, 2023.

### **Income Tax**

Present constitution authorizes the levy of equal and uniform taxes on net income. Further provides the taxes may be graduated according to the amount of net income.

Proposed constitutional amendment repeals present constitution and prohibits taxes on net income or capital.

Effective Jan. 1, 2023.

### **Capital Outlay**

Present law requires the governor to submit a capital outlay budget which implements the first year of the five-year capital outlay program and the bond authorization bill for the sale of bonds to fund projects included in the bond portion of the capital outlay bill to the legislature no later than the 8<sup>th</sup> day of each regular session.

Present law further provides general obligation bonds can fund both state and nongovernmental entity projects.

Proposed constitutional amendment prohibits nongovernmental entity projects from receiving capital outlay funding beginning July 1, 2023.

Effective July 1, 2023.

### **Ad Valorem Taxation**

Present constitution provides property subject to ad valorem taxation shall be reappraised and valued at intervals of not more than four years.

Proposed constitutional amendment repeals present constitution and provides property shall be appraised and valued annually.

Present constitution provides for the valuation of property at fair market value for purposes of determine ad valorem property tax.

Present constitution provides for certain property exemptions including an exemption for property owned by a nonprofit corporation or association organized and operated for religious, burial, charitable, health, welfare, fraternal, or educational purposes.

Proposed constitutional amendment changes the property exemption to exempt only property used exclusively for religious, burial, cultural, or educational purposes. Further provides the property shall be owned by a non profit corporation or association which no part of the net earnings inure to the benefit of any private shareholder or member.

Proposed constitutional amendment also provides that the property shall not be exempt if owned, operated, leased, held, or used for commercial or other non-exempt purposes. The exemption shall be on a pro rata basis for the portion of the property exclusively utilized for an exempt purpose.

Present constitution also exempts irrevocably dedicated place of burial held by individuals for purposes of burial and property used for cultural, Mardi Gras carnival, or civic activities not operated for profit to the owners from property tax.

Proposed constitutional amendment repeals present constitution.

Present constitution provides the State Board of Commerce and Industry, with the approval of the governor, may enter into contracts for an ad valorem property tax exemptions for property of new manufacturing establishments or additions to manufacturing establishments. Further provides that these contracts shall be for an initial term of no more than five years and may be renewed for an additional five years.

Proposed constitutional amendment provides beginning on Jan. 1, 2023 new contracts and new renewals for exemptions for manufacturing establishments shall be prohibited.

Effective Jan. 1, 2023.

### **Homestead Exemption**

Present constitution provides for a homestead exemption on certain property which exempts property to the extent of \$7,000 of the assessed value of the property.

Proposed constitutional amendment gradually lowers the amount of valuation exempt from property tax as follows:

- (1) Beginning Jan. 1, 2023 the exemption shall be to the extent of \$6,125 of the assessed valuation.
- (2) Beginning Jan. 1, 2024, the exemption shall be to the extent of \$4,750 of the assessed valuation.
- (3) Beginning Jan. 1, 2025, the exemption shall be to the extent of \$3,375 of the assessed valuation.
- (4) Beginning Jan. 1, 2026 the exemption shall be to the extent of \$2,000 of the assessed valuation.

Present constitution provides the sum of \$90 million dollars to be allocated annually from the state general fund to the revenue sharing fund for the purpose of parish to offsetting current losses due to the homestead exemption authorized in present constitution. . Further provides the revenue sharing fund shall be distributed annually as provided by law based on the population and number of homesteads in each parish.

Present constitution authorizes the legislature to appropriate additional sums to the revenue sharing fund.

Proposed constitutional amendment changes present constitution and prohibits the legislature from appropriating additional sums to the revenue sharing fund.

Proposed constitutional amendment changes the allocation of monies to the revenue sharing fund to the following:

- (1) For FY 2023-2024, the sum of \$67,500,000 shall be allocated from the state general fund to the revenue sharing fund.
- (2) For FY 2024-2025, the sum of \$45,000,000 shall be allocated from the state general fund to the revenue sharing fund.
- (3) For FY 2025-2026, the sum of \$22,500,000 shall be allocated from the state general fund to the revenue sharing fund.
- (4) Beginning FY 2026-2027 and each subsequent fiscal year after, no state general fund monies shall be allocated to the revenue sharing fund.

Effective Jan. 1, 2023.

### **Bonded Debt**

Present constitution provides political subdivisions authority to incur debt by issuing negotiable bonds and may pledge for payments the proceeds received from the revenue sharing fund.

Proposed constitutional amendment repeals present constitution.

Effective Jan. 1, 2023.

### **Minimum Foundation Program**

Present constitution (Art. VIII, Section 13) establishes the Minimum Foundation Program (MFP), the process for establishing and allocating the cost of K-12 education. Proposed constitution retains present constitution, but makes significant changes to how the program works.

Present constitution requires the State Board of Elementary and Secondary Education (BESE) to annually develop and adopt a formula to determine the cost of K-12 education in all public elementary and secondary schools. Further requires the formula to equitably allocate the funds to parish and city school systems.

Present constitution provides that every city and parish school system must contribute to the cost of the program, but requires the state to pay the difference between the total cost and the local portion.

For fiscal years 2023-2024 and after, proposed constitutional amendment places maximum caps on the amount of state general fund monies that may be appropriated to fund the state's share of the cost

of the MFP and requires city and parish school systems to pay the remainder of the cost.

Proposed constitutional amendment further requires BESE's proposed formula to provide for distribution of the state portion of the cost in a way that results in cities, parishes, and other local school systems with lower total taxable ad valorem property values receiving more state funding than cities, parishes, and other local school systems with higher total taxable ad valorem property values.

Present constitutional amendment places maximum caps on the amount of ad valorem taxes that parish and city school districts may levy to fund their portion of the annual MFP cost. Proposed constitutional amendment repeals these caps.

Proposed constitution establishes the following maximums on the state's use of general fund monies to fund the annual MFP cost:

- (1) For FY 2023-2024, no more than \$3,575,000,000.
- (2) For FY 2024-2025, no more than \$3,253,000,000.
- (3) For FY 2025-2026, no more than \$2,932,000,000.
- (4) For FY 2026-2027, no more than \$2,610,000,000.

For each fiscal year after 2026-2027, the maximum amount of state general fund monies is capped at \$2,610,000,000. Proposed constitutional amendment provides the legislature with the authority to increase this maximum by up to 2% through adoption of an increased amount in the general appropriation bill. Once an increase has been adopted, it shall constitute the new maximum and may in turn be increased by 2% in the future, at the legislature's discretion, as provided in proposed constitutional amendment.

Present constitution prohibits reduction of any state general fund appropriation for the MFP cost, outside of certain circumstances. Proposed constitutional amendment retains present constitution.

Present constitution provides that if the legislature fails to approve BESE's most recently approved MFP formula, the last formula adopted by BESE and approved by the legislature shall be used for determination of the cost and for allocations of funds appropriated.

Proposed constitutional amendment further provides that the maximum state funding amounts established in proposed constitutional amendment shall apply to any formula that becomes effective, regardless of whether the formula was established prior to the effective date of proposed constitutional amendment.

Present constitution authorizes parishes to levy an ad valorem tax to fund their required contribution to the annual cost of the MFP as required by present constitution. Provides that such millages are capped as five mills on the dollar for every parish except Orleans and 13 mills on the dollar for Orleans.

Proposed constitution authorizes each city, parish, or other local public school board operating a separate system of public schools to levy an ad valorem tax to fund its share of the annual MFP cost. Provides that for the tax year beginning January 1, 2023, the tax shall be at a millage rate sufficient to generate income at least equal to:

- (1) The total amount of revenue generated by the ad valorem taxes levied by the city, parish, or other local public school district for the last complete tax year prior to the effective date of proposed constitution.
- (2) An amount sufficient to fund the difference between what the district receives pursuant to proposed constitution and the MFP cost.

Provides that any tax levied pursuant to this provision may not exceed 4 years and may be levied without a vote of the electors of the district.

Further provides that for the tax year beginning January 1, 2027, and continuing each year thereafter, the city, parish, or other local public school board may levy an ad valorem tax sufficient to fund its share of the MFP cost, but the levy must be approved by a majority of the electors and the duration of such levy may not exceed 10 years.

Effective Jan. 1, 2023.

(Amends Const. Art. VI, §§26(A)-(C), 27, and 29, Art. VII, §§4(A), 11(C), 18(C) and (F)(1), 20(A)(1), 21(B) and (F), and 26(B), and Art. VIII, §(13)(B) and (C); Adds Const. Art. VI, §26.1 and Art. VII, §§21(O) and 26(F); Repeals Const. Art. VI, §26(E) and Art. VII, §§2.2, 21(C)(10) and (12), and 26(E))

#### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Make changes to ballot language.