



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 489** HLS 21RS 733
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 26, 2021 3:46 PM	Author: PRESSLY
Dept./Agy.: Local Governments / Dept. of Revenue	Analyst: Greg Albrecht
Subject: Ad Valorem Taxation of Inventory	

TAX/AD VALOREM-EXEMPTION OR -\$444,500,000 LF RV See Note Page 1 of 1
 (Constitutional Amendment) Exempts items constituting business inventory from ad valorem property tax

Current law includes the assessed value of business inventory property in the ad valorem tax base of local taxing jurisdictions.

Proposed law adds items constituting business inventory to the list of property constitutionally exempt from ad valorem taxation. Applicable to taxable years beginning on or after January 1, 2023.

To be submitted to the electors at the statewide election to be held on November 8, 2022.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$281,000,000	\$281,000,000	\$281,000,000	\$843,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>(\$444,500,000)</u>	<u>(\$444,500,000)</u>	<u>(\$444,500,000)</u>	(\$1,333,500,000)
Annual Total	\$0	\$0	(\$163,500,000)	(\$163,500,000)	(\$163,500,000)	(\$490,500,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION


The 2020 Annual Report of the La Tax Commission reports the assessed value of inventory at \$4.164 billion. Based on the Report's distribution of inventory valuation across parishes, and the parishwide effective millages, the total amount of ad valorem tax affected by the bill is currently approximately \$444.5 million. Since ad valorem taxes are typically payable in December each year, the first fiscal year of local revenue loss would be FY24. No growth has been assumed for these valuations and the local revenue loss, although significant annual growth is possible. Through 2015 these valuations exhibited significant long-run trend growth (5.89% compound annual growth rate for 1988 - 2015). Valuations fell in 2016 and 2017, and while they have stepped back up over the last three years (2018 -2020), they haven't exhibited the trend growth of the earlier era.

This estimates the amount of local property tax revenue attributable to inventory property. However, local governments may experience less aggregate revenue loss to the extent that reappraisals and millage adjustments are implemented. In those cases, the result of the bill is a redistribution of the property tax burden rather than an absolute loss of property tax revenue.

There is a significant effect on state net tax receipts through the state tax credit for ad valorem taxes paid on inventory. The state credit has nonrefundable and refundable components, and has averaged some \$281 million per year for the latest reported three-year period (FY17 - FY19). This state tax credit would be effectively eliminated with the elimination of ad valorem tax on inventory. Assuming the timing of credit elimination aligns with that of ad valorem tax elimination, state net receipts gain by \$281 million per year.

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}


Christopher A. Keaton
Legislative Fiscal Officer