2023 Regular Session

HOUSE BILL NO. 414

BY REPRESENTATIVE NELSON

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

TAX:  ( Constitutional Amendment) Provides relative to various sources of state and local revenue

A JOINT RESOLUTION

Proposing to amend Article VI, Sections 26(A) through (C), 27, and 29, Article VII, Sections 4(A), 11(C), 18(C) and (F)(1), 20(A)(1), 21(B) and (F), and 26(B), and Article VIII, Section (13)(B) and (C) of the Constitution of Louisiana, to add Article VI, Section 26.1 and Article VII, Sections 21(O), 23.1, and 26(F) of the Constitution of Louisiana, and to repeal Article VI, Section 26(E) and Article VII, Sections 2.2, 21(C)(10) and (12), and 26(E) of the Constitution of Louisiana, relative to state and local revenue; to provide for parish ad valorem taxes; to provide for parish ad valorem tax millages; to provide relative to public financing of the cost of uncompensated healthcare; to provide for uses of municipal ad valorem tax revenues; to provide for municipal ad valorem tax millages; to provide for instances in which approval of the electors is or is not required for millage rate increases; to provide for the maximum sales and use tax rate to be levied by a local governmental subdivision or school board; to provide for bond security; to prohibit taxes on net income and capital; to provide for assessed valuation of certain lands for ad valorem tax purposes; to provide for the homestead exemption, including for reductions in the amount of such exemption; to provide relative to ad valorem tax exemptions for property owned by certain nonprofit, religious, burial, cultural, or educational organizations; to provide for industrial manufacturing establishment ad valorem tax exemptions; to require reductions in millages in proportion to revenue changes

CODING: Words in struck through type are deletions from existing law; words underscored are additions.
resulting from additional types and portions of value of properties becoming subject
to ad valorem taxation; to provide for an ad valorem tax exemption for certain items
constituting business inventory; to provide relative to eligibility of certain entities for
capital outlay funding; to provide relative to the Revenue Sharing Fund; to provide
relative to the Minimum Foundation Program; to provide for definitions; to provide
for effectiveness; to provide for certain requirements and limitations; to provide for
submission of the proposed amendment to the electors; and to provide for related
matters.

Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of the members
elected to each house concurring, that there shall be submitted to the electors of the state of
Louisiana, for their approval or rejection in the manner provided by law, a proposal to
amend Article VI, Sections 26(A) through (C), 27, and 29 of the Constitution of Louisiana
and to add Article VI, Section 26.1 of the Constitution of Louisiana, to read as follows:

§26. Parish Ad Valorem Tax

Section 26.(A) Parish Tax for General Purposes; Millage Limits; Increase.
The governing authority of a parish may levy annually an ad valorem tax for general
purposes not to exceed four eight mills on the dollar of assessed valuation. However;
in Orleans Parish the limitation shall be seven mills, and in Jackson Parish the
limitation shall be five mills. Millage rates may be increased in any parish when
approved by a majority of the electors voting thereon in an election held for that
purpose for general purposes up to the amount provided for in this Paragraph without
approval of the electors.

(B) Millage Increase Not for General Purposes. When the millage increase
is for other than general purposes, the proposition Millage rates may be increased in
any parish for purposes other than general purposes when approved by a majority of
the electors voting in an election held for that purpose. The proposition provided to
electors for the purpose of increasing a millage pursuant to this Paragraph shall state
the specific purpose or purposes for which the tax is to be levied and the length of
time the tax is to remain in effect. All proceeds of the tax levied pursuant to this
Paragraph shall be used solely for the purpose or purposes set forth in the proposition.

(C) Parish Tax in Municipality. The amount of the parish tax for general purposes which any parish, except Orleans Parish, may levy, without a vote of the electors, on property located wholly within any municipality which has a population exceeding one thousand inhabitants according to the last federal decennial census, or other census authorized by law, and which provides and maintains a system of street paving, shall not exceed one-half the tax levy for general purposes.

§26.1. Local Responsibility for Uncompensated Healthcare Costs

Section 26.1.(A) Responsibility for uncompensated care provided by a hospital shall be borne by the governing authority of the parish in which the hospital that delivered the care is physically located. The governing authority of each parish may levy annually an ad valorem tax for the purposes of paying the cost provided in this Section. Nothing in this Section shall be construed to require the governing authority to cover the full cost of the care. The initial levy of the ad valorem tax authorized pursuant to this Section shall equal an amount sufficient to provide the same level of uncompensated care funding as the hospitals in the parish received in the last full fiscal year immediately prior to the effective date of this Section. The millage rate may be modified once the initial levy expires, and any renewal of the levy shall require approval by a majority of the electors in the parish voting in an election held for that purpose.

(B) For purposes of this Section, "uncompensated care" shall mean the difference between the amount billed by a hospital for services rendered to a patient and the amount of payment received, if any.

§27. Municipal Ad Valorem Tax

Section 27.(A) Municipal Tax for General Purposes; Millage Limits; Increase. The governing authority of a municipality may levy annually an ad valorem tax for general purposes not to exceed seven fourteen mills on the dollar of
assessed valuation. However, if a municipality, by its charter or by law, 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 twenty
mills on the dollar of assessed valuation. Millage rates may be increased in any
municipality when approved by a majority of the electors voting thereon in an
election held for that purpose for general purposes up to the amounts provided for
in this Paragraph without approval of the electors.

(B) Millage Increase Not for General Purposes. When the millage increase
is for other than general purposes, the proposition Millage rates may be increased in
any municipality for purposes other than general purposes when approved by a
majority of the electors voting in an election held for that purpose. The proposition
provided to electors for purposes of increasing a millage pursuant to this Paragraph
shall state the specific purpose or purposes for which the tax is to be levied and the
length of time the tax is to remain in effect. All proceeds of the tax levied pursuant
to this Paragraph shall be used solely for the purpose or purposes set forth in the
proposition.

(C) Exception. This Section shall not apply to the city of New Orleans.

§29. Local Governmental Subdivisions and School Boards; Sales Tax

Section 29.(A) Sales Tax Authorized. Except as otherwise authorized in a
home rule charter as provided for in Section 4 of this Article, the governing authority
of any local governmental subdivision or school board may levy and collect a tax
upon the sale at retail, the use, the lease or rental, the consumption, and the storage
for use or consumption, of tangible personal property and on sales of services as
defined by law, if approved by a majority of the electors voting thereon in an election
held for that purpose. The total rate thereof, when combined with the rate of all other
sales and use taxes, exclusive of state sales and use taxes, levied and collected within
any local governmental subdivision; shall not exceed three percent.
(B) Additional Sales Tax Authorized. However, the legislature, by general or by 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 the electors voting thereon in an election held for that purpose.

(C) Bonds; Security. Nothing in this Section shall affect any sales or use tax authorized or imposed on the effective date of this constitution or prior to an amendment to this Section, or affect or impair the security of any bonds payable from the proceeds of the tax.

(D) Exemptions; Protection of Bonds. Except when bonds secured thereby have been authorized, the legislature may provide for the exemption or exclusion of any goods, tangible personal property, or services from sales or use taxes only pursuant to one of the following:

(1) Exemptions or exclusions uniformly applicable to the taxes of all local governmental subdivisions, school boards, and other political subdivisions whose boundaries are not coterminous with those of the state.

(2) Exemptions or exclusions applicable to the taxes of the state or applicable to political subdivisions whose boundaries are coterminous with those of the state, or both.

(3) Exemptions or exclusions uniformly applicable to the taxes of all the tax authorities in the state.

Section 2. Be it resolved by the Legislature of Louisiana, two-thirds of the members elected to each house concurring, that there shall be submitted to the electors of the state of Louisiana, for their approval or rejection in the manner provided by law, a proposal to amend Article VII, Sections 4(A), 18(C) and (F)(1), 20(A)(1), 21(B) and (F), and 26(B) of the Constitution of Louisiana and to add Article VII, Sections 21(O), 23.1, and 26(F) of the Constitution of Louisiana, to read as follows:

§4. Income Tax; Severance Tax; Political Subdivisions

Section 4.(A) Income Tax. Equal and uniform taxes may be levied on net incomes, and these taxes may be graduated according to the amount of net income.
However, the maximum state individual rate shall not exceed four and three-quarters percent for tax years beginning after December 31, 2021. Federal income taxes paid may be allowed as a deductible item in computing state income taxes for the same period as provided by law. No tax shall be levied on net income or capital after December 31, 2023.

§18. Ad Valorem Taxes

Section 18.

(C) Use Value. Bona fide agricultural, horticultural, marsh, and timber lands, as defined by general law, shall be assessed for tax purposes at ten percent of use value rather than fair market value. The legislature may provide by law similarly for buildings of historic architectural importance.

(F) Reappraisal. (1) All property subject to taxation shall be reappraised and valued annually in accordance with this Section, at intervals of not more than four years.

§20. Homestead Exemption

Section 20.(A) Homeowners.

(1)(a) The bona fide homestead, consisting of a tract of land or two or more tracts of land even if the land is classified and assessed at use value pursuant to Article VII, Section 18(C) of this constitution, with a residence on one tract and a field with or without timber on it, pasture, or garden on the other tract or tracts, not exceeding one hundred sixty acres, buildings and appurtenances, whether rural or urban, owned and occupied by any person or persons owning the property in indvision, shall be exempt from state, parish, and special ad valorem taxes to the extent of seven thousand five hundred dollars of the assessed valuation. Except as
provided in Subsubparagraph (b) of this Subparagraph, the extent of the exemption shall be as follows:

(i) Beginning January 1, 2024, to the extent of six thousand one hundred twenty-five dollars of the assessed valuation.

(ii) Beginning January 1, 2025, to the extent of four thousand seven hundred fifty dollars of the assessed valuation.

(iii) Beginning January 1, 2026, to the extent of three thousand three hundred seventy-five dollars of the assessed valuation.

(iv) Beginning January 1, 2027, to the extent of two thousand dollars of the assessed valuation.

(b) Any person who was entitled to and was granted the special assessment level set forth in Section 18(G) of this Article prior to January 1, 2024, shall be exempt from state, parish, and special ad valorem taxes to the extent of seven thousand five hundred dollars of the assessed valuation. Any such person shall remain entitled to the seven thousand five hundred dollar exemption if he remains qualified for and receives the special assessment level set forth in Paragraph (G) of Section 18 of this Article.

(c) The same homestead exemption shall also fully apply to the primary residence, including a mobile home, which serves as a bona fide home and which is owned and occupied by any person or persons owning the property in indivision, regardless of whether the homeowner owns the land upon which the home or mobile home is sited; however, this homestead exemption shall not apply to the land upon which such primary residence is sited if the homeowner does not own the land.

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§21. Other Property Exemptions

Section 21. In addition to the homestead exemption provided for in Section 20 of this Article, the following property and no other shall be exempt from ad valorem taxation:

*          *          *
(B)(1)(a)(i) Property owned by a nonprofit corporation or association organized and operated that is used exclusively for religious, dedicated places of burial, charitable, health, welfare, fraternal cultural, or educational purposes. The property shall be owned by a nonprofit corporation or association, no part of the net earnings of which inure to the benefit of any private shareholder or member thereof and which is declared to be exempt from federal or state income tax, and The legislature may provide for additional restrictions on the conditional eligibility for the exemption provided for in this Paragraph; however, the legislature may not provide for any property tax exemptions in addition to those provided in this Section. Exemptions shall not be defined in a way that results in the exemption of a single entity from ad valorem property tax.

(ii) medical equipment leased for a term exceeding five years to such a nonprofit corporation or association which owns or operates a small, rural hospital and which uses the equipment solely for health care purposes at the hospital; provided that the property shall be exempt only during the term of the lease to such corporation or association, and further provided that "small, rural hospital" shall mean a hospital which meets all of the following criteria:

(aa) it has less than fifty Medicare-licensed acute care beds.

(bb) it is located in a municipality with a population of less than ten thousand which has been classified as an area with a shortage of health manpower by the United States Health Service; and

(b) property leased to such a nonprofit corporation or association for use solely as housing for homeless persons, as defined by regulation adopted by the tax commission or its successor provided that the term of such lease shall be for at least five years, that as a condition of entering into the lease the property be in compliance with all applicable health and sanitation codes for use as housing for homeless persons, that the lease shall provide that compensation to be paid the lessor shall not exceed one dollar per year, and that such contract of lease shall recite that the property shall be used exclusively for the purpose of housing the homeless; and
further provided that at such time as the property is no longer used solely as housing
for homeless persons, the property shall no longer be exempt from taxation;

(2) property of a bona fide labor organization representing its members or
affiliates in collective bargaining efforts; and

(3) property of an organization such as a lodge or club organized for
charitable and fraternal purposes and practicing the same, and property of a nonprofit
corporation devoted to promoting trade, travel, and commerce, and also property of
a trade, business, industry or professional society or association, if that property is
owned by a nonprofit corporation or association organized under the laws of this
state for such purposes:

(2) None of the property or any portion of the property listed in Paragraph
(B) this Paragraph shall be exempt if owned, operated, leased, held, or used for
commercial or other non-exempt purposes unrelated to the exempt purposes of the
corporation or association. The exemption provided for in this Paragraph shall be
on a pro rata basis for the portion of property exclusively utilized for an exempt
purpose.

*          *          *

(F)(1) Notwithstanding any contrary provision of this Section, the State
Board of Commerce and Industry or its successor, with the approval of the governor,
may enter into contracts for the exemption from ad valorem taxes of a new
manufacturing establishment or an addition to an existing manufacturing
establishment, on such terms and conditions as the board, with the approval of the
governor, deems in the best interest of the state.

(2) The exemption shall be for an initial term of no more than five calendar
years, and may be renewed for an additional five years. All property exempted shall
be listed on the assessment rolls and submitted to the Louisiana Tax Commission or
its successor, but no taxes shall be collected thereon during the period of exemption.

(3) The terms "manufacturing establishment" and "addition" as used herein
mean a new plant or establishment or an addition or additions to any existing plant
or establishment which engages in the business of working raw materials into wares
suitable for use or which gives new shapes, qualities or combinations to matter which
already has gone through some artificial process.

(4) Beginning January 1, 2024, new contracts and new renewals for an
exemption provided for in this Paragraph shall be prohibited.

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(O)(1) Beginning January 1, 2024, items constituting business inventory,
including goods which are held for sale, goods in production or for ultimate
consumption in the production of goods or services for sale, and goods utilized in
marketing and distribution activities, referred to hereafter in this Paragraph as
"property", shall be exempt from ad valorem taxation in accordance with the
following provisions:

(a) For taxes payable in 2024, the value of the exemption shall be equal to
fifty percent of the assessed value of the property.

(b) For taxes payable in 2025, the value of the exemption shall be equal to
sixty-five percent of the assessed value of the property.

(c) For taxes payable in 2026, the value of the exemption shall be equal to
eighty percent of the assessed value of the property.

(d) For taxes payable in 2027 and thereafter, the value of the exemption shall
be equal to one hundred percent of the assessed value of the property.

(2) Notwithstanding any provision of this constitution to the contrary,
property for which the exemption authorized in this Paragraph has been claimed shall
not be treated as taxable property for purposes of any subsequent reappraisals and
valuation for millage adjustment purposes pursuant to Paragraph (B) of Section 23
of this Article.

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§23.1. Change in Marsh Land Valuation Method, Homestead Exemption
Reductions, and Repeal of Other Property Exemptions; Adjustment of Ad
Valorem Tax Millages

Section 23.1.(A) In the year in which bona fide marsh lands are first assessed
for tax purposes at a percentage of fair market value rather than use value pursuant
to an amendment to Paragraph (C) of Section 18 of this Article, the total amount of
ad valorem taxes collected by any taxing authority shall not be increased, because
of the change in the method of determining the assessed value of marsh lands, above
ad valorem taxes collected by that taxing authority in the year preceding the change
in the method of determining the assessed value of marsh lands. To accomplish this
result, each affected taxing authority, in the year in which bona fide marsh lands are
first assessed for tax purposes at a percentage of fair market value rather than use
value as provided in this Paragraph, shall adjust millages downward, and the
maximum authorized millages shall be decreased, without further voter approval, in
proportion to the amount of additional ad valorem tax revenue realized as a result of
the change in the method of determining the assessed valuation of marsh lands as
provided in this Paragraph. In ensuing years, such millages shall remain in effect
unless changed as permitted by this constitution.

(B) The total amount of ad valorem taxes collected by any taxing authority
in each year in which a reduction to the homestead exemption amount provided in
Subparagraph (A)(1) of Section 20 of this Article is implemented shall not be
increased, because of the reduction to the homestead exemption amount, above ad
valorem taxes collected by that taxing authority in the year preceding
implementation. To accomplish this result, each affected taxing authority, in each
year in which a reduction to the homestead exemption amount is implemented, shall
adjust millages downward, and the maximum authorized millages shall be decreased,
without further voter approval, in proportion to the amount of additional ad valorem
tax revenue realized as a result of the reduction to the homestead exemption amount.
After the final reduction to the homestead exemption amount provided in
Subparagraph (A)(1) of Section 20 of this Article is implemented, such millages
shall remain in effect unless changed as permitted by this constitution.

(C) In the year in which previously exempted property first becomes subject
to ad valorem taxation pursuant to the amendment or repeal of any provisions of
Paragraphs (B) or (C) of Section 21 of this Article, the total amount of ad valorem
taxes collected by any taxing authority shall not be increased, because of previously
exempted property becoming subject to ad valorem taxation, above ad valorem taxes collected by that taxing authority in the final year in which the property was exempted from ad valorem taxation. To accomplish this result, each affected taxing authority, in the year in which previously exempted property first becomes subject to ad valorem taxation as provided in this Paragraph, shall adjust millages downward, and the maximum authorized millages shall be decreased, without further voter approval, in proportion to the amount of additional ad valorem tax revenue realized as a result of previously exempted property becoming subject to ad valorem taxation as provided in this Paragraph. In ensuing years, such millages shall remain in effect unless changed as permitted by this constitution.

§26. Revenue Sharing Fund

Section 26.

(B) Annual Allocation. The legislature may appropriate additional sums to the fund. For Fiscal Year 2024-2025 and ensuing fiscal years, the legislature shall allocate monies from the state general fund to the revenue sharing fund in accordance with the provisions of Paragraph (F) of this Section.

(F) Notwithstanding any provision of this Section to the contrary, for Fiscal Year 2024-2025, the sum of sixty-seven and one-half million dollars shall be allocated from the state general fund to the revenue sharing fund. For Fiscal Year 2025-2026, the sum of forty-five million dollars shall be allocated from the state general fund to the revenue sharing fund. For Fiscal Year 2026-2027, the sum of twenty-two and one-half million dollars shall be allocated from the state general fund to the revenue sharing fund. For Fiscal Year 2027-2028 and each fiscal year

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thereafter, no state general fund monies shall be allocated to the revenue sharing fund.

Section 3. Be it resolved by the Legislature of Louisiana, two-thirds of the members elected to each house concurring, that there shall be submitted to the electors of the state of Louisiana, for their approval or rejection in the manner provided by law, a proposal to amend Article VII, Section 11(C) of the Constitution of Louisiana, to read as follows:

§11. Budgets

Section 11.

*     *     *

(C) Capital Budget. The governor shall submit to the legislature, at each regular session, a proposed five-year capital outlay program and request implementation of the first year of the program. Prior to inclusion in the comprehensive capital budget which the legislature adopts, each capital improvement project shall be evaluated through a feasibility study, as defined by the legislature, which shall include an analysis of need and estimates of construction and operating costs. The legislature shall provide by law for procedures, standards, and criteria for the evaluation of such feasibility studies and shall set the schedule of submission of such feasibility studies which shall take effect not later than December thirty-first following the first regular session convening after this Paragraph takes effect. These procedures, standards, and criteria for evaluation of such feasibility studies cannot be changed or altered except by a separate legislative instrument approved by a favorable vote of two-thirds of the elected members of each house of the legislature. For those projects not eligible for funding under the provisions of Article VII, Section 27 of this constitution, the request for implementation of the first year of the program shall include a list of the proposed projects in priority order based on the evaluation of the feasibility studies submitted. Capital outlay projects approved by the legislature shall be made a part of the comprehensive state capital budget, which shall be adopted by the legislature. **Beginning July 1, 2024, no nongovernmental entity project shall be eligible for capital outlay funding.**

*     *     *
Section 4. Be it resolved by the Legislature of Louisiana, two-thirds of the members elected to each house concurring, that there shall be submitted to the electors of the state of Louisiana, for their approval or rejection in the manner provided by law, a proposal to amend Article VIII, Section 13(B) and (C) of the Constitution of Louisiana, to read as follows:

§13. Funding; Apportionment

Section 13.

* * *

(B) Minimum Foundation Program. (1) The State Board of Elementary and Secondary Education, or its successor, shall annually develop and adopt a formula which shall be used to determine the cost of a minimum foundation program of education in all public elementary and secondary schools as well as to equitably allocate the funds to parish and city school systems. The cost of the program shall be shared by the state and each city, parish, and other local public school board as provided in this Paragraph. Such the formula shall provide that cities, parishes, and other local public school districts having lower total ad valorem property tax value per student within their boundaries shall receive a higher proportionate share of the state’s contribution to program funding for a contribution by every city and parish school system. Prior to approval of the formula by the legislature, the legislature may return the formula adopted by the board to the board and may recommend to the board an amended formula for consideration by the board and submission to the legislature for approval.

(2)(a) For fiscal years prior to Fiscal Year 2024-2025, the legislature shall annually appropriate funds sufficient to fully fund the current cost to the state of such a program as determined by applying the approved formula in order to insure a minimum foundation of education in all public elementary and secondary schools.

(b) For Fiscal Year 2024-2025 through Fiscal Year 2027-2028, the legislature shall appropriate the following amounts of state general fund monies to fund the state’s share of the program funding established pursuant to this Section:
(i) For Fiscal Year 2024-2025, no more than three billion seven hundred ninety-three million dollars.

(ii) For Fiscal Year 2025-2026, no more than three billion five hundred forty million dollars.

(iii) For Fiscal Year 2026-2027, no more than three billion two hundred eighty-seven million dollars.

(iv) For Fiscal Year 2027-2028, no more than three billion thirty-four million dollars.

(c)(i) Except as provided in Item (ii) of this Subsubparagraph, for each fiscal year after 2027-2028, the maximum amount of state general fund monies that may be appropriated to fund the state's share of program funding shall be three billion thirty-four million dollars.

(ii) The maximum amount established in Item (i) of this Subsubparagraph may be increased by up to two percent at the discretion of the legislature through an appropriation in the general appropriation bill. When an increase in the amount is adopted, the new total amount shall constitute a new maximum for the purposes of this Subsubparagraph. Each ensuing new maximum may also be increased by up to two percent as provided in this Subsubparagraph.

(d) The difference between the total program cost to the city, parish, or other local public school board, as applicable, and the amount of state funding it receives each year pursuant to the formula shall be funded by the city, parish, or other local public school board with self-generated revenues.

(e) Neither the governor nor the legislature may reduce such any appropriation made pursuant to this Subparagraph, except that the governor may reduce such appropriation using means provided in the Act containing the appropriation provided that any such reduction is consented to in writing by two-thirds of the elected members of each house of the legislature. The funds appropriated shall be equitably allocated to parish and city school systems according to the formula as adopted by the State Board of Elementary and Secondary
Education, or its successor, and approved by the legislature prior to making the
appropriation.

(3) Whenever the legislature fails to approve the formula most recently
adopted by the board, or its successor, the last formula adopted by the board, or its
successor, and approved by the legislature shall be used for the determination of the
cost of the minimum foundation program and for the allocation of funds
appropriated. The maximum state funding amounts established pursuant to
Subsubparagraphs (2)(b) and (c) of this Paragraph shall apply to any formula that
becomes effective, regardless of whether the formula was established prior to the
effective date of Subsubparagraphs (2)(b) and (c) of this Paragraph.

(C) Local Funds. Local funds for the support of elementary and secondary
schools shall be derived from the following sources:

First: Each parish school board, Orleans Parish excepted, and each
municipality or city school board (1)(a) For the taxable years beginning January 1,
2024, January 1, 2025, January 1, 2026, and January 1, 2027, each city, parish, or
other local public school board actually operating, maintaining, or supporting a
separate system of public schools; shall may levy annually an ad valorem
maintenance tax not to exceed five mills on the dollar of assessed valuation on
property subject to such taxation within the respective parish, or city, respectively
or local public school district without the approval of the electors. The millage rate
of any tax levied pursuant to the provisions of this Subparagraph shall be sufficient
to generate an amount of revenue at least equal to the sum of the following:

(i) The total amount of revenue generated by the ad valorem taxes levied by
the city, parish, or other local public school board for the last complete tax year
immediately prior to the effective date of this Subparagraph.

(ii) An amount equal to the difference between the total amount of state
funds the city, parish, or other local public school board received pursuant to the
provisions of this Section in the last complete fiscal year immediately prior to the
effective date of this Subparagraph and the total amount of state funds the city,
parish, or other local public school board received pursuant to the provisions of this
Section.

(b) The duration of any tax levied pursuant to the provision of this
Subparagraph shall not exceed four years.

Second: The Orleans Parish School Board shall levy annually a tax not to
exceed thirteen mills on the dollar of the assessed valuation of property within the
city of New Orleans assessed for city taxation, and shall certify the amount of the tax
to the governing authority of the city. The governing authority shall have the tax
entered on city tax rolls. The tax shall be collected in the manner, under the
conditions, and with the interest and penalties prescribed by law for city taxes. The
money thus collected shall be paid daily to the Orleans Parish School Board.

(2) For the taxable year beginning January 1, 2028, and continuing each year
thereafter, each city, parish, or other local public school board actually operating,
maintaining, or supporting a separate system of public schools may levy annually an
ad valorem tax on property within the respective parish, city, or local public school
district with the approval of a majority of the electors of the parish, city, or local
public school district, as applicable, in an election held for that purpose. The millage
rate of any tax levied pursuant to the provisions of this Subparagraph shall be
sufficient to generate an amount of revenue at least equal to the amount required
pursuant to Subsubparagraph (B)(2)(d) of this Section. The duration of any tax
levied pursuant to the provisions of this Subparagraph shall not exceed ten years.

Third: (3) For giving additional support to public elementary and secondary
schools, any parish, school district, or subschool district, or any municipality or city
school board which supports a separate city system of public schools may levy an ad
valorem tax for a specific purpose, when authorized by a majority of the electors
voting in the parish, municipality, district, or subdistrict in an election held for that
purpose. The amount, duration, and purpose of the tax shall be in accord with any
limitation imposed by the legislature.

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Section 5. Be it resolved by the Legislature of Louisiana, two-thirds of the members elected to each house concurring, that there shall be submitted to the electors of the state of Louisiana, for their approval or rejection in the manner provided by law, a proposal to repeal Article VI, Section 26(E) and Article VII, Sections 2.2, 21(C)(10) and (12), and 26(E) of the Constitution of Louisiana.

Section 6.(A) Be it further resolved that the provisions of the amendment contained in Sections 1, 2, 4, and 5 of this Joint Resolution shall become effective January 1, 2024, and shall be applicable to taxable years beginning on or after January 1, 2024.

(B) Be it further resolved that the provisions of the amendment contained in Section 3 of this Joint Resolution shall become effective July 1, 2024.

Section 7. Be it further resolved that this proposed amendment shall be submitted to the electors of the state of Louisiana at the statewide election to be held on October 14, 2023.

Section 8. Be it further resolved that on the official ballot to be used at the election, there shall be printed a proposition, upon which the electors of the state shall be permitted to vote YES or NO, to amend the Constitution of Louisiana, which proposition shall read as follows:

Do you support an amendment to repeal the state income tax; to prohibit taxes on net income and capital; to raise the limit on property tax increases that parishes and municipalities can impose for general purposes without a vote of the electorate; to require parishes to assume the costs of uncompensated health care delivered by hospitals and to levy a tax to pay for such care; to limit the rate of sales and use taxes that local governments and school boards may levy; to remove marsh lands from lands eligible for use valuation for purposes of property tax; to decrease the value of the homestead exemption over four years; to preserve the full homestead exemption for people who qualify for a special assessment level; to repeal certain property tax exemptions for property owned by charitable, religious, health, or welfare organizations; to provide a property tax exemption for certain property that
is used exclusively for religious, burial, cultural, or educational purposes; to
prohibit new industrial tax exemption program contracts and the renewal of
the program's existing contracts; to exempt certain items constituting
business inventory from property taxation; to prohibit nongovernmental
entities from obtaining funding through the state's capital outlay program; to
reduce the amount of money the state appropriates to parishes through the
Revenue Sharing Fund; to reduce the limit on state funding provided to the
minimum foundation program for K-12 education; to require city, parish, and
other local public school boards to cover the nonstate portion of required
minimum foundation program funding; and to authorize city, parish, and
other local public school boards to levy ad valorem taxes to support
elementary and secondary schools? (Effective January 1, 2024, except for
provisions repealing nongovernmental entity capital outlay funding which are
effective July 1, 2024) (Amends Article VI, Sections 26(A) through (C), 27,
and 29, Article VII, Sections 4(A), 11(C), 18(C) and (F)(1), 20(A)(1), 21(B)
and (F), and 26(B), and Article VIII, Section (13)(B) and (C); Adds Article
VI, Section 26.1 and Article VII, Sections 21(O), 23.1, and 26(F); Repeals
Article VI, Section 26(E), Article VII, Sections 2.2, 21(C)(10) and (12), and
26(E))

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 414 Original 2023 Regular Session Nelson

Abstract: Provides relative to state and local revenues derived from ad valorem taxes, sales
and use taxes, income taxes, and taxes on capital; provides further for the state
capital outlay budget, bonded debt, the homestead exemption, the Minimum
Foundation program, local funding for the support of public education, and local
funding of uncompensated health care delivered by hospitals.

Ad Valorem Tax – Parishes

Present constitution authorizes the governing authority of a parish to levy an ad valorem tax
for general purposes not to exceed four mills on the dollar of assessed valuation. Permits

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are additions.
increases in millage rates when approved by a majority of electors voting in an election held for that purpose.

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

Proposed constitutional amendment raises the maximum total millage that may be levied for general purposes by a parish governing authority from four mills to eight mills. Further provides that a parish governing authority may raise the total millage amount up to the limit provided in proposed constitutional amendment without approval of the voters.

Proposed constitutional amendment repeals present constitution providing special millage limits for Jackson Parish and for Orleans Parish.

Proposed constitutional amendment requires that responsibility for uncompensated care provided by a hospital shall be borne by the governing authority of the parish in which the hospital that delivered the care is physically located. Authorizes parish governing authorities to levy an ad valorem tax for the purposes of paying the cost of such care.

Effective Jan. 1, 2024.

Ad Valorem Tax – Municipalities

Present constitution authorizes the governing authority of a municipality to levy an ad valorem tax for general purposes not to exceed seven mills on the dollar of assessed valuation. Provides that 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 that when a municipality's governing authority increases the millage other than for general purposes, the increase shall go to the electors for approval and the proposition must state the specific purpose for which the tax is to be levied and the length of time for which the tax is to remain in effect.

Proposed constitutional amendment raises the maximum total millage that may be levied for general purposes by a municipality's governing authority from seven mills to 14 mills. Further provides that the governing authority of a parish may raise the total millage amount 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, 2024.

State Sales and Use Tax

Present constitution exempts sales or purchases of food for home consumption, residential utilities, and prescription drugs from the state sales and use tax. Proposed constitutional amendment repeals present constitution.

Effective Jan. 1, 2024.
Sales and Use Taxes of Local Governmental Subdivisions and School Boards

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 3%. Proposed constitutional amendment retains present constitution.

Present constitution provides that the legislature, by general or by 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 the electors voting on the tax increase in an election held for that purpose. Proposed constitutional amendment repeals present constitution.

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

Effective Jan. 1, 2024.

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 after Dec. 31, 2023.

Effective Jan. 1, 2024.

Capital Outlay

Present constitution requires the governor to submit to the legislature, at each regular session, a proposed five-year capital outlay program. Further provides that general obligation bonds may fund both state and nongovernmental entity projects.

Proposed constitutional amendment provides that, beginning July 1, 2024, no nongovernmental entity project shall be eligible for capital outlay funding; otherwise, retains present constitution relative to the state's capital budget.

Effective July 1, 2024.

Ad Valorem Tax – General Provisions

Present constitution provides that property subject to ad valorem taxation shall be reappraised and valued at intervals of not more than four years. Proposed constitutional amendment revises present constitution to provide instead that property shall be appraised and valued annually.

Present constitution provides that bona fide agricultural, horticultural, marsh, and timber lands shall be assessed for ad valorem tax purposes based upon a percentage of use value rather than a percentage of fair market value. Proposed constitutional amendment revises present constitution to cause marsh lands to be assessed based upon a percentage of fair market value.
Present constitution provides for ad valorem tax exemptions for property owned by nonprofit organizations operated exclusively for religious, burial, charitable, health, welfare, fraternal, or educational purposes. Proposed constitutional amendment revises present constitution to exempt from ad valorem taxation only property of nonprofit organizations that is used exclusively for religious, cultural, or educational purposes.

Proposed constitutional amendment repeals present constitution exempting the following property from ad valorem taxation:

1. Certain medical equipment leased to a nonprofit organization which owns or operates a small, rural hospital as defined in present constitution.

2. Property leased to a nonprofit organization for use solely as housing for homeless persons, subject to certain conditions provided in present constitution.

3. Property of a bona fide labor organization representing its members or affiliates in collective bargaining efforts.

4. Property of a nonprofit organization such as a lodge or club organized for charitable and fraternal purposes.

5. Property of a nonprofit organization devoted to promoting trade, travel, and commerce.

6. Property of a trade, business, industry, or professional society or association owned by a nonprofit organization.

7. Irrevocably dedicated places of burial held by individuals for purposes of burial of themselves or members of their families.

8. Property used for cultural, Mardi Gras carnival, or civic activities and not operated for profit to the owners.

Present constitution authorizes the State Board of Commerce and Industry, with the approval of the governor, to enter into contracts for 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 that, beginning on Jan. 1, 2024, new contracts and renewals of existing contracts for such exemptions shall be prohibited.

Proposed constitutional amendment requires reductions in millages in proportion to revenue changes resulting from additional types of properties, and portions of value of properties, becoming subject to ad valorem taxation pursuant to proposed constitutional amendment.

Effective Jan. 1, 2024.

Ad Valorem Tax – Business Inventory Exemption

Proposed constitutional amendment provides that, beginning January 1, 2024, items constituting business inventory, including goods which are held for sale, goods in production or for ultimate consumption in the production of goods or services for sale, and goods utilized in marketing and distribution activities, shall be exempt from ad valorem taxation as follows:

1. For taxes payable in 2024, the value of the exemption shall be equal to 50% of the assessed value of the property.

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(2) For taxes payable in 2025, the value of the exemption shall be equal to 65% of the assessed value of the property.

(3) For taxes payable in 2026, the value of the exemption shall be equal to 80% of the assessed value of the property.

(4) For taxes payable in 2027 and thereafter, the value of the exemption shall be equal to 100% of the assessed value of the property.

Proposed constitutional amendment stipulates that property for which the ad valorem tax exemption authorized therein has been claimed shall not be treated as taxable property for purposes of any subsequent reappraisals and valuation for millage adjustment purposes pursuant to present constitution relative to adjustment of ad valorem tax millages (Const. Art. VII, §23(B)).

Effective Jan. 1, 2024.

Ad Valorem Tax – Homestead Exemption

Present constitution establishes a homestead exemption for certain owner-occupied property which exempts $7,500 of the assessed value of that property from property tax.

Proposed constitutional amendment reduces the value of the homestead exemption over time according to the following schedule:

(1) Beginning Jan. 1, 2024, the homestead exemption shall equal $6,125 of the assessed value of the qualifying property.

(2) Beginning Jan. 1, 2025, the homestead exemption shall equal $4,750 of the assessed value of the qualifying property.

(3) Beginning Jan. 1, 2026, the homestead exemption shall equal $3,375 of the assessed value of the qualifying property.

(4) Beginning Jan. 1, 2027 the homestead exemption shall equal $2,000 of the assessed value of the qualifying property.

Effective Jan. 1, 2024.

Revenue Sharing Fund

Present constitution creates the Revenue Sharing Fund as a special fund in the state treasury. Provides that monies in the fund shall be distributed annually to parishes on the basis of population and number of homesteads in each parish in proportion to population and the number of homesteads throughout the state. Requires that $90 million be allocated annually from the state general fund to the Revenue Sharing Fund.

Proposed constitutional amendment revises present constitution to provide that the $90 million annual allocation to the Revenue Sharing Fund shall be effective only for fiscal years commencing prior to FY 2024-2025. Requires that allocations in ensuing years shall be reduced as follows:

(1) For FY 2024-2025, the sum of $67,500,000 shall be allocated from the state general fund to the revenue sharing fund.
(2) For FY 2025-2026, the sum of $45,000,000 shall be allocated from the state general fund to the revenue sharing fund.

(3) For FY 2026-2027, the sum of $22,500,000 shall be allocated from the state general fund to the revenue sharing fund.

(4) For FY 2027-2028 and each fiscal year thereafter, no state general fund monies shall be allocated to the revenue sharing fund.

Present constitution authorizes political subdivisions to incur debt by issuing negotiable bonds and to pledge for the payment of such bonded debt monies derived, or to be derived, from the Revenue Sharing Fund. Proposed constitutional amendment repeals present constitution.

Effective Jan. 1, 2024.

**Minimum Foundation Program**

Present constitution establishes the Minimum Foundation Program (MFP) which provides for the establishment, allocation, and funding of the cost of K-12 education in public elementary and secondary schools. 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. Requires further that the formula equitably allocate funding to parish and city school systems.

Proposed constitutional amendment retains the framework for the MFP provided in present constitution but makes substantial changes to provisions for funding of the program by the state and local governing authorities, respectively.

Proposed constitutional amendment provides that cities, parishes, and other local public school districts having lower total property tax value per student within their boundaries shall receive a higher proportionate share of the state's contribution to MFP funding.

For fiscal years 2024-2025 and thereafter, proposed constitutional amendment places the limits listed below on the amount of state general fund monies that may be appropriated annually to finance the state's share of the cost of the MFP. Requires city and parish school systems to pay the remainder of the cost and authorizes levying of ad valorem taxes necessary for such school systems to do so. Requires the legislature to appropriate the following amounts of state general fund monies annually to fund the state's share of the MFP:

(1) For FY 2024-2025, no more than $3,793,000,000.

(2) For FY 2025-2026, no more than $3,540,000,000.

(3) For FY 2026-2027, no more than $3,287,000,000.

(4) For FY 2027-2028, no more than $3,034,000,000.

Proposed constitutional amendment provides that for each fiscal year after FY 2027-2028, the maximum amount of state general fund monies appropriated for the MFP shall be capped at $3,034,000,000; but authorizes the legislature to increase this amount by up to 2% by appropriating additional state general fund monies to the MFP in the general appropriation bill. Provides that if such an increase occurs, the increased amount 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.

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Present constitution authorizes parishes to levy ad valorem taxes to fund their required contribution to the annual cost of the MFP but places specific limits on the millages associated with such taxes. Proposed constitutional amendment repeals these millage limits.

Proposed constitutional amendment requires that for the taxable years beginning Jan. 1, 2024, Jan. 1, 2025, Jan. 1, 2026, and Jan. 1, 2027, the ad valorem taxes imposed by city, parish, and other local school boards for operating, maintaining, or supporting a system of public schools shall be at millage rates sufficient to generate revenues at least equal to the sum of the following:

1. The total amount of revenue generated by the ad valorem taxes levied by the city, parish, or other local public school board for the last complete tax year immediately prior to the effective date of proposed constitutional amendment.

2. An amount equal to the difference between the total amount of state funds the city, parish, or other local public school board received pursuant to the provisions of proposed constitutional amendment in the last complete fiscal year immediately prior to the effective date of proposed constitutional amendment and the total amount of state funds it received pursuant to proposed constitutional amendment.

Proposed constitutional amendment provides that the duration of a local ad valorem tax levied for operating, maintaining, or supporting a system of public schools shall not exceed four years, and that such tax may be levied without a vote of the electors of the district.

Proposed constitutional amendment provides that for the taxable year beginning Jan. 1, 2028, and continuing each year thereafter, a city, parish, or other local public school board may levy an ad valorem tax sufficient to fund its share of the MFP cost. Stipulates, however, that 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, 2024.

Submission of Amendment to Voters

Provides for submission of proposed constitutional amendment to the voters at the statewide election to be held Oct. 14, 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), 23.1, and 26(F); Repeals Const. Art. VI, §26(E) and Art. VII, §§2.2, 21(C)(10) and (12), and 26(E))

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