

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 46** HLS 23RS 135

Bill Text Version: **RE-REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 18, 2023	7:43 AM	Author: HUGHES
Dept./Agy.: Local Governments		Analyst: Deborah Vivien
Subject: Ad Valorem exemption stipulation for nonprofits		

TAX EXEMPTIONS/NONPROFIT RR SEE FISC NOTE LF RV See Note Page 1 of 1
(Constitutional Amendment) Restricts eligibility of nonprofit organizations for property tax exemptions for residential property found to endanger public health or safety

Current Constitution allows an exemption from property tax for non-profits for religious, burial, charitable, health/welfare, fraternal, and educational purposes or to house the homeless, for labor organizations, for lodges or clubs for charitable or fraternal purposes, for non-profits devoted to trade, travel and commerce and for trade, business industry or professional societies or associations organized under Louisiana law. Property owned by a non-profit but used for commercial purposes unrelated to the non-profit's purposes is not eligible for the exemption.

Proposed constitutional amendment mandates the denial or revocation the these exemptions if the local governing authority determines that residential property owned by the exempt organization and leased as housing is in disrepair to the point of endangering the health or safety of the public and has three or more sustained code enforcement violations in the prior 12 months related to the disrepair issues. The exemption denial may be reissued or reinstated once the conditions of disrepair no longer exist. To be placed before voters on October 14, 2023, effective with Tax Year 2024

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

The bill could place an additional burden on local assessors to determine whether the entity would be qualified for the exemption given the local residential code violations in place. Presumably, assessors would coordinate annually with governing authorities to determine those residential properties owned by exempt entities with 3 code violations within the year warranting a public health threat, maintenance of which has not been rectified at the time of the assessment.

Assessors would also be required to reissue or reinstate the exemption, presumably upon notice from the governing authority that the property is no longer in violation. The bill appears to mandate a full analysis of all exempt properties each year and not a situation-specific compliance tool, which could create an extensive workload in the more heavily populated areas. Presumably, rural areas without a residential building code would not be subject to the potential suspension.

Depending on taxpayer behavior, local entities may ultimately have additional properties eligible for tax sale, if the entities do not pay the tax.

REVENUE EXPLANATION

It is presumed that the suspension of the non-profit property tax exemption will be imposed on one or more entities, which will increase local revenue if the suspended entity pays the taxes due. To the extent that exempt organizations with leased residential property that has been cited 3 times in one year for sustained code violations that are deemed to pose a danger to public health (as specified in the bill) are suspended from the exemption, local revenue will be impacted. It is also not possible to predict whether the violations will be rectified and the taxes refunded back to the taxpayer once the suspension is lifted. The magnitude of the impact is not possible to determine with any degree of accuracy.

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}

Alan M. Boxberger

Alan M. Boxberger
Interim Legislative Fiscal Officer