

2025 Regular Session

HOUSE BILL NO. 365

BY REPRESENTATIVE DESHOTEL

TAX/AD VALOREM TAX: Provides for an optional exemption of business inventory from ad valorem taxes and to authorize the reduction of the fair market value percentage of business inventory under certain circumstances

1 AN ACT

2 To enact R.S. 47:1703.2 and 1703.3, relative to ad valorem taxes; to provide for ad valorem  
3 property tax exemptions; to provide for the classification of certain property; to  
4 provide for the adjustment of fair market value percentage of certain property under  
5 certain circumstances; to authorize a parish to exempt certain property under certain  
6 circumstances; to authorize certain payments to certain parishes; to provide for the  
7 administration of ad valorem property tax exemptions; to provide for limitations and  
8 requirements; to provide for effectiveness; and to provide for related matters.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 47:1703.2 and 1703.3 are hereby amended and reenacted to read as  
11 follows:

12 §1703.2. Exemption; optional exemption for business inventory

13 A. There shall be an optional ad valorem tax exemption on items constituting  
14 business inventory, including goods which are held for sale and goods in production  
15 or for ultimate consumption in the production of goods or services for sale.

16 B. The exemption provided for in this Section shall only apply in parishes  
17 in which the sheriff, school board, and the parish governing authority elect to exempt  
18 business inventory from ad valorem taxation.

19 C. The exemption election shall be evidenced in writing and shall indicate  
20 if the parish will implement the full exemption immediately or over a period not to

1 exceed five years. The election shall be made no later than July 1, 2028, and shall be  
2 applicable to taxable periods beginning on or after January 1, 2028. Any election  
3 made pursuant to this Section shall be irrevocable.

4 D.(1) A parish electing to exempt items constituting business inventory shall  
5 receive a payment in accordance with Article VII, Section 20.2 of the Constitution  
6 of Louisiana. The tax collector of each parish electing to exempt items constituting  
7 business inventory shall distribute the monies received from the treasurer on a pro  
8 rata basis to each taxing authority that levies an ad valorem tax within the parish. The  
9 treasurer shall disburse monies to the collector within thirty days of receipt of a  
10 certification from the secretary of the Department of Revenue that the parish has  
11 irrevocably elected to exempt business inventory from ad valorem tax.

12 (2) Any parish that elects to exempt one hundred percent of business  
13 inventory from ad valorem tax and implements the exemption immediately shall  
14 receive a payment equal to the greater of thrice the amount of ad valorem taxes  
15 collected on business inventory within the parish for the 2025 tax year or one million  
16 dollars. However, the maximum amount a parish may receive pursuant to the  
17 provisions of this Paragraph shall not exceed fifteen million dollars.

18 (3) Any parish that elects to phase-in an exemption of business inventory  
19 from ad valorem tax over a period not to exceed five years shall receive a payment  
20 equal to the greater of the amount of ad valorem taxes collected on business  
21 inventory within the parish for the 2025 tax year or five hundred thousand dollars.  
22 However, the maximum amount a parish may receive pursuant to the provisions of  
23 this Paragraph shall not exceed ten million dollars.

24 E. A parish may elect to exempt ad valorem tax on items constituting  
25 business inventory at any time, in accordance with the provisions of this Section.  
26 However, any parish electing to exempt business inventory from ad valorem tax on  
27 or after July 2, 2028, shall not receive a payment in accordance with Article VII,  
28 Section 20.2 of the Constitution of Louisiana.

1           F. Property for which the exemption authorized in this Section has been  
2           claimed shall not be treated as taxable property for purposes of any subsequent  
3           reappraisals and valuation for millage adjustment purposes pursuant to Article VII,  
4           Section 23 of the Constitution of Louisiana. Any decrease in the total amount of ad  
5           valorem tax collected by a taxing authority as a result of the ad valorem exemption  
6           authorized in this Subsection shall be absorbed by the taxing authority and shall not  
7           create any additional tax liability for taxpayers in the taxing district as a result of any  
8           subsequent reappraisal and valuation or millage adjustment. Implementation of the  
9           exemption authorized in this Subsection shall neither trigger nor be cause for a  
10           reappraisal of property or an adjustment of millages pursuant to Article VII, Section  
11           23 of the Constitution of Louisiana.

12           §1703.3. Business inventory; fair market value adjustment

13           A.(1) For purposes of ad valorem taxation, a parish governing authority may  
14           elect to reduce the percentage of fair market value applicable to property considered  
15           business inventory. For purposes of this Section, the term "business inventory" shall  
16           have the same meaning as the term is defined in Subsection C of this Section.

17           (2) The reduction in the percentage of fair market value for business  
18           inventory shall only apply in parishes in which the sheriff, school board, and the  
19           parish governing authority elect to reduce the percentage of fair market value  
20           applicable to business inventory. However, the percentage of fair market value  
21           applicable to business inventory shall never be higher than the percentage applicable  
22           to business inventory pursuant to Article VII, Section 18(B) of the Constitution of  
23           Louisiana.

24           (3) The parish election to reduce the percentage of fair market value  
25           applicable to business inventory shall be evidenced in writing and shall be submitted  
26           to the Louisiana Tax Commission and the appropriate tax assessor within ten  
27           calendar days of the execution of the agreement between the sheriff, school board,  
28           and the parish governing authority to reduce the percentage of fair market value  
29           applicable to business inventory. The written documentation shall contain the new

1 percentage of fair market value applicable to business inventory in the parish and  
2 shall indicate the taxable periods to which the reduced percentage shall apply. The  
3 Louisiana Tax Commission shall include all written notifications received from  
4 parishes indicating a reduction of the percentage of the fair market value applicable  
5 to business inventory in the commission's annual reports.

6 B. Any decrease in the total amount of ad valorem tax collected by a taxing  
7 authority as a result of the reduction of the percentage of fair market value applicable  
8 to business inventory authorized in this Section shall be absorbed by the taxing  
9 authority and no additional tax liability for taxpayers in the taxing district shall be  
10 created as a result of any subsequent reappraisal and valuation or millage adjustment.  
11 Implementation of the reduction of the percentage of fair market value applicable to  
12 business inventory authorized in this Section shall neither trigger nor be cause for a  
13 reappraisal of property or an adjustment of millages pursuant to Article VII, Section  
14 23 of the Constitution of Louisiana.

15 C.(1) For purposes of this Section, the term "business inventory" shall mean  
16 the aggregate of those items of tangible personal property that are held for sale in the  
17 ordinary course of business, are currently in the process of production for subsequent  
18 sale, or are to physically become a part of the production of goods.

19 (2) "Business inventory" shall include the following:

20 (a) Goods or commodities awaiting sale including but not limited to the  
21 merchandise of a retail or wholesale concern, the finished goods of a manufacturer,  
22 the commodities from farms, mines, and quarries, and goods that are used or trade-in  
23 merchandise and by-products of a manufacturer.

24 (b) Goods or commodities that are in the course of production.

25 (c) Raw materials and supplies that will be consumed in the Louisiana  
26 manufacturing process.

27 (d) Any item of tangible personal property owned by a retailer that is  
28 available for or subject to a short-term rental and that will subsequently or ultimately  
29 be sold by the retailer. For purposes of this Subparagraph, the term "short-term

1 rental" means a rental of an item of tangible personal property for a period of less  
2 than three hundred sixty-five days, for an undefined period, or under an open-ended  
3 agreement.

4 (3) "Business inventory" shall not include the following:

5 (a) Oil stored in tanks held by a producer prior to the first sale of the oil, and  
6 oil otherwise exempt from ad valorem taxation pursuant to law.

7 (b) Items that would otherwise be considered inventory at any time following  
8 the initial lease by the taxpayer of such items. The provisions of this Subparagraph  
9 shall not include the rental of tangible personal property as provided for in  
10 Subparagraph (2)(d) of this Subsection.

11 (c) Items that would otherwise be considered inventory any time after the  
12 taxpayer has commenced depreciating the item on the taxpayer's federal tax return.  
13 The provisions of this Subparagraph shall not include the rental of tangible personal  
14 property as provided for in Subparagraph (2)(d) of this Subsection.

15 (d) Items that have been subject to use by the taxpayer when owned for more  
16 than eighteen months. The provisions of this Subparagraph shall not include the  
17 rental of tangible personal property as provided for in Subparagraph (2)(d) of this  
18 Subsection.

19 (e) Items that are otherwise exempt from ad valorem taxation pursuant to  
20 law, including goods, commodities, or personal property stored in the state for use  
21 in interstate commerce.

22 Section 2. The provisions of this Act shall be applicable to property tax year  
23 beginning on or after 2027.

24 Section 3. This Act shall take effect on January 1, 2027, and become operative if and  
25 when the proposed amendment of Article VII of the Constitution of Louisiana contained in  
26 the Act which originated as House Bill No. \_\_\_ of this 2025 Regular Session of the  
27 Legislature is adopted at a statewide election and becomes effective.

## 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 365 Original

2025 Regular Session

Deshotel

**Abstract:** Authorizes a parish to elect to exempt business inventory from ad valorem taxes; authorizes parishes to reduce the percentage of fair market value applicable to business inventory; and authorizes the state to make a one-time payment to parishes that elect to exempt business inventory from ad valorem taxes.

Present constitution requires all property subject to ad valorem tax to be listed on the parish assessment rolls at its assessed valuation which is a percentage of the property's fair market value. Present constitution requires the percentage of fair market value to be uniform throughout the state on the same class of property and requires assessors to reappraise and value property at intervals of not more than four years.

Present constitution provides for the different classifications of property which corresponds with a percentage of fair market value applicable to each classification.

### **Business Inventory Fair Market Value**

Proposed law adds an optional ad valorem tax exemption on items constituting business inventory, including goods which are held for sale and goods in production or for ultimate consumption in the production of goods or services for sale. Proposed law defines "business inventory" for purposes of proposed law.

Proposed law limits the optional exemption to parishes in which the sheriff, school board, and the parish governing authority elect to exempt business inventory from ad valorem taxation. Requires the exemption election to be evidenced in writing and to indicate if the parish will implement the full exemption immediately or over a period not to exceed five years. Proposed law requires that the election be made no later than July 1, 2028, and provides that the election shall be applicable to taxable periods beginning on or after Jan. 1, 2028. Stipulates that the parish's election to exempt business inventory shall be irrevocable.

Proposed law provides that any parish which elects to exempt 100% of business inventory from ad valorem tax shall immediately receive a payment from the state equal to the greater of three times the amount of ad valorem taxes collected on business inventory within the parish for the 2025 tax year or \$1M dollars. Any parish that elects to phase-in the exemption over a period not to exceed five years shall receive a payment equal to the greater of the amount of ad valorem taxes collected on business inventory within the parish for the 2025 tax year or \$500,000. Proposed law limits the maximum amount a parish may receive from the state for immediately implementing an exemption for business inventory to \$15M and limits the maximum amount a parish may receive for phasing-in an exemption for business inventory to \$10M.

Proposed law requires the tax collector of each parish electing to exempt from ad valorem taxation items constituting business inventory to distribute the payment received from the state treasurer on a pro rata basis to each taxing authority within the parish that levies an ad valorem tax. Further requires the treasurer to disburse monies to the collector within 30 days of receiving certification from the Dept. of Revenue that the parish has elected to irrevocably exempt business inventory from ad valorem tax.

**Business Inventory Fair Market Value**

Present constitution provides that business inventory is assessed at 15% of its fair market value.

Proposed law retains all provisions of present constitution and allows a parish to elect to reduce the percentage of fair market value applicable to business inventory if approved by the parish's sheriff, school board, and parish governing authority. Proposed law requires the election to be sent in writing to the La. Tax Commission and the parish tax assessor along with the new percentage of fair market value applicable to business inventory in the parish and the taxable periods to which the reduction will apply.

Proposed law requires that any decrease in the total amount of ad valorem tax collected by the taxing authority as a result of the reduction be absorbed by the taxing authority and no additional tax liability should be created as a result of a subsequent reappraisal valuation or millage adjustment.

Effective on January 1, 2027, if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. \_\_\_ of this 2025 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Adds R.S. 47:1703.2 and 1703.3)