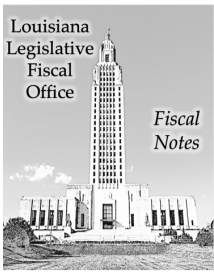


LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 448** HLS 25RS 593

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 10, 2025	12:37 PM	Author: LANDRY, MANDIE
Dept./Agy.: Local Taxing Authorities		Analyst: Deborah Vivien
Subject: Limits nonprofit AVT exemption		

TAX/AD VALOREM-EXEMPTION OR SEE FISC NOTE LF RV Page 1 of 1
(Constitutional Amendment) Prohibits ad valorem tax exemptions for property owned by nonprofit organizations used for commercial purposes

Current constitution allows for a broad exemption from property tax for a nonprofit corporation and organizations related to religious purposes, dedicated places of burial, charitable purposes, purposes relating to health and welfare, fraternal purposes or educational purposes. Exempt property must be used for commercial purposes related to the exempt purposes of the nonprofit or organization.

Proposed constitutional amendment retains current law but limits the nonprofit exemption by disallowing property used for any commercial purpose, though commercial purpose is not defined in law. The nonprofit ad valorem tax exemption would only be available to property related to non-commercial endeavors.

Effective with tax year 2027 upon voter approval at the statewide election to be held on November 3, 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	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	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

If a local governing authority opts into the exemption after statewide voter approval, local assessors and taxing authorities may incur expenses related to the determination, enforcement, and billing related to the exemption, possibly of a significant amount depending on the local interpretation or definition of commercial.

The Secretary of State may incur minimal ballot processing costs associated with this measure. As a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments and statewide propositions for the fall statewide elections. To the extent the ballot includes more than 10 constitutional amendments and statewide propositions, the Secretary of State may require additional SGF resources.

REVENUE EXPLANATION

To the extent that nonprofit corporations or eligible organizations are no longer paying property tax on anything related to a commercial endeavor, local revenue will increase, potentially by a large amount, for entities receiving funding from a millage or fee that is charged against an impacted assessment. The revenue impact appears to depend on the interpretation of the exemption by local assessors and may require additional scrutiny given the possible activities that could be considered commercial. A meaningful estimate of the statewide local revenue impact would require time and resources that are not readily available within bill debate timelines.

The limitation to the nonprofit exemption in the bill appears to impact all eligible nonprofit organizations such as churches, rural hospitals, housing, education or any other organization currently receiving the exemption. If these organizations are participating in commercial endeavors, however defined, taxes not currently paid on the commercial portion of their property could be due under this bill. **The bill could result in a substantial increase to local property tax revenue. However, a mandatory rollback of millages could offset this increase as certain millages across all taxpayers would adjust to maintain the aggregate level of local revenue. Local governing authorities may also subsequently vote to increase the millages up to the maximum authorized amount (roll forward). Thus, local revenue collections should ultimately adjust according to the will of the local governing authority.**

A significant change in local property tax collections could impact the local effort included in the MFP calculation, which in turn could impact SGF, depending on the local taxing structure.

Senate
 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
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Legislative Fiscal Officer