
DIGEST

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HB 365 Engrossed

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)