

# GREEN SHEET REDIGEST

HB 365

2025 Regular Session

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**

## DIGEST

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, currently in the process of production for subsequent sale, or are to physically become a part of the production of goods 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, 2027, in order to receive a payment from the state 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 2026 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 2026 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 that payments to a parish electing to exempt business inventory be subject to appropriation by the legislature.

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 stipulates that the election by a parish to reduce the percentage of fair market value applicable to business inventory is irrevocable and that once the parish reduces the percentage of fair market value, the percentage may not be increased. Further provides that the parish may not reduce the percentage of fair market value of business inventory more than once an assessment period.

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. 366 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)

#### Summary of Amendments Adopted by Senate

##### Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the engrossed bill

1. Clarify the definition of business inventory.
2. Require legislative appropriation of payments to parishes electing to exempt business inventory.
3. Change the election deadline to exempt business inventory and receive a payment from the state from July 1, 2028, to July 1, 2027.
4. Provide that a parish's election to reduce the percentage of fair market value of business inventory is irrevocable and may only be done once an assessment period.
5. Make technical changes.