



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 365** HLS 25RS 845

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action: **w/ SEN COMM AMD**

Proposed Amd.:

Sub. Bill For.:

Date: May 19, 2025	7:37 PM	Author: DESHOTEL
Dept./Agy.: Local Government		
Subject: Optional state payment for exemption or FMV reduction		Analyst: Deborah Vivien

TAX/AD VALOREM TAX

EG1 SEE FISC NOTE GF EX See Note

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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

Proposed law establishes a local option to irrevocably exempt inventory tax, either immediately or phased-in, provided that sheriffs, school boards, and parish governing authorities all assent before July 2, 2028, applicable to tax periods beginning on or after January 1, 2028. To mitigate local revenue loss, the state may pay taxing authorities 3 times 2026 actual collections for an immediate repeal (minimum of \$1 M up to a maximum of \$15 M) and actual 2026 collections for a phased-in exemption, not to exceed 5 years (minimum of \$500,000 up to \$10 M). Election must occur before 7/1/27 for tax year 2027 for state payment eligibility. Payments are not funded by the bill, are permissive and subject to appropriation. Proposed law allows a change in percentage of fair market value taxed for inventory with approval of sheriffs, school boards and parish governing authorities and requires local taxing authorities to absorb the provisions of the bill by disallowing millage adjustments or reappraisals due to inventory taxing changes.

Effective with tax year 2027 contingent upon voter approval of HB 366 of 2025RS at the statewide election on 11/3/26.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	\$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

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

The bill does not fund the mandatory state payments that are authorized in the bill. Without a specified funding source, it is assumed that the state payments would be made from SGF. Upon election of exemption, local assessors and collectors may be subject to expenses related to the exemption. LDR may have additional expenses related to certification of payments.

The permissive payments from the state are subject to appropriation and are limited to a \$15 M maximum for an immediate exemption and \$10 M maximum for a phased-in exemption.

To illustrate magnitude, parishes collected about \$530 M statewide in inventory taxes in 2023 (actual 2023 collections may be derived from multiple tax years, which would lower the illustrated magnitude). Using the calculation in the bill, the maximum exposure to the state for state payments if all parishes choose the immediate exemption would be about \$562.3 M and \$295.9 M if all choose the phased-in exemption. It is highly unlikely that all parishes opt into the exemption. To receive payment, all exemption elections must occur by July 1, 2027 (reductions are authorized through July 1, 2028), which pushes all state payments into two possible years, FY 27 - FY 28 due to the 30 day disbursement deadline. Because the state impact is based on a local election which may or may not occur, the actual impact is indeterminable.


REVENUE EXPLANATION

The local revenue impact of proposed law is dependent upon the election of the sheriff, school board and parish to exempt inventory from ad valorem taxation. A parish (presumably the collecting authority) would become eligible to receive a state payment should an irrevocable exemption be approved, which would increase local revenue, and be distributed pro rata to appropriate entities based on local tax ad valorem levies. However, these same entities would be subject to the impacts of the elected inventory tax exemption, which would be an offsetting, and possibly considerable, reduction in revenue in the ensuing years.

See expenditure explanation for an illustration of payments and maximum state exposure. Locals are prohibited from adjusting millages or assessments in response to the exemptions authorized in the bill.

The bill also authorizes a parish to permanently lower the percentage of fair market value of inventory that is taxable, but only once per assessment period. To the extent a parish opts into this reduction, local revenue will decrease. For any given political subdivision, the net revenue impact would be determined by its own decision to either retain the inventory tax, grant the full exemption immediately or phase it in, or reduce the applicable percentage of fair market value.

The state payments are based on actual 2026 collections, not 2026 billings. It is not clear how 2026 disputed or late payments may impact the required state payment.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Alan M. Boxberger Legislative Fiscal Officer