

## RÉSUMÉ DIGEST

ACT 357 (HB 365)

2025 Regular Session

Deshotel

Existing 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. Existing 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.

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

### **Business Inventory - Optional Exemption**

New law adds an optional ad valorem tax exemption on items constituting business inventory. New law defines "business inventory" to include items of tangible personal property held for sale in the ordinary course of business, are in the process of production for subsequent sale, or are to physically become a part of the production of goods.

New law limits the optional exemption to parishes that the sheriff, school board, and the parish governing authority elect to exempt business inventory from ad valorem taxation.

New law requires a parish electing, prior to July 1, 2027, to exempt 100% of property constituting business inventory from ad valorem taxes either immediately or over a period not to exceed five years to receive a one-time payment from the Revenue Stabilization Trust Fund. Further provides that an exemption made pursuant to new law shall be applicable to taxable periods beginning on and after Jan. 1, 2027.

New law provides that the state payment amount to a parish electing to exempt 100% of business inventory immediately shall equal the greater of thrice the amount of ad valorem taxes collected on business inventory within the parish for the 2026 tax year or \$1M. However, the maximum amount a parish may receive shall not exceed \$15M.

New law provides that the state payment amount to a parish electing to exempt 100% of business inventory over a period not to exceed five years shall equal the greater of the amount of ad valorem taxes collected on business inventory within the parish for the 2026 tax year or \$500,000. However, the maximum amount a parish may receive shall not exceed \$10M.

New law prohibits a state payment to a parish electing to exempt business inventory from ad valorem tax on or after July 1, 2027. Furthermore, any parish electing to partially exempt business inventory by reducing the fair market value applicable to property considered business inventory shall not be eligible for a state payment.

New law requires the tax collector of each parish electing to exempt business inventory from ad valorem taxation to distribute the state 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 100% of business inventory from ad valorem tax.

### **Business Inventory - Reduction in Percentage of Fair Market Value**

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

New law retains all provisions of existing constitution but allows a parish to elect to partially exempt business inventory from property taxes by reducing the percentage of fair market value applicable to business inventory if approved by the parish's sheriff, school board, and parish governing authority.

New law provides that the election by a parish to reduce the percentage of fair market value of business inventory shall be irrevocable and once the percentage of fair market value has been reduced, the percentage of fair market value shall not be increased. New law limits the reduction in the percentage of fair market value of business inventory to no more than once an assessment period.

New 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 within 10 calendar days of the execution of the agreement between the sheriff, school board, and the parish governing authority to reduce the percentage of fair market value applicable to business inventory.

New law requires the La. Tax Commission to include all written notifications received from parishes indicating a reduction of the percentage of the fair market value applicable to business inventory in the commission's annual reports.

New 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.

New law is applicable to property tax years beginning on or after 2026.

Effective if and when the proposed amendment 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)