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## DIGEST

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Broadwater

HB No. 517

**Abstract:** Provides for a change in the assessment, valuation, and collections of ad valorem taxes on heavy equipment rental property.

Present law, provides an entire scheme of law relating to ad valorem taxation, including levying and assessment, valuation, and payment and collection, R.S. 47:1701 et seq. Proposed law retains present law but provides an exception to parts of this scheme with respect to the assessment, valuation, and collections of ad valorem tax on heavy equipment rental property.

More specifically, proposed law calculates for purposes of ad valorem taxation, the fair market value of a dealer's heavy equipment rental property inventory as an amount equal to the dealer's total annual rental revenue for the preceding tax year, except for movable property other than rental inventory which is valued as otherwise provided in present law.

Proposed law provides several definitions, including:

- (1) "Dealer" as a company that is principally engaged in the business of short-term rental of heavy equipment rental property and defines "business of short-term rental of heavy equipment rental property" as that described under the North American Industrial Classification System.
- (2) "Heavy equipment property" as meaning construction, earthmoving, or industrial equipment that is mobile and that is not intended to be permanently affixed to any real property for the purpose of using the equipment for its intended use and specifically including a self-propelled vehicle that is not designed to be driven on a highway and industrial lift equipment, material handling equipment, electrical generation equipment, or a similar piece of industrial equipment that is capable of being moved from one location to another. However, this definition specifically excludes any vessel, boat, barge, floating equipment, or other watercraft.

Proposed law requires, on or before January 20<sup>th</sup>, that the dealer of heavy equipment rental property file with the assessor the dealer's annual report for the applicable tax year. This report must include a description of each item or category of items of heavy equipment rental property rented pursuant to a short-term rental, the total annual rental revenue of the dealer, the total amount of prepaid ad valorem tax collected from renters.

Proposed law requires the prepayment of ad valorem taxes by the dealer and for purposes of

collection and remittance of such taxes on a dealer's heavy equipment rental property inventory, each dealer must, with respect to each short-term rental, assign a unit property tax to each item of heavy equipment rental property, state the amount of the unit property tax as a separate line item on the invoice issued by the dealer to the renter, and collect the unit property tax from the renter at the time the renter makes payment. Under proposed law "unit property tax" is determined by multiplying the short-term rental payment received by fifteen percent of the aggregate millage rate.

Under proposed law, the amount of unit property tax collected by a dealer from a renter is treated by the dealer as a prepayment of ad valorem property tax on the dealer's heavy equipment rental property inventory for the tax year and must be included in the prepaid ad valorem tax amount for that year.

Proposed law requires quarterly remittance of all prepaid ad valorem tax to the collector and therewith, the dealer must file a quarterly dealer statement which has to include the total amount of short-term rental payments received by the dealer and the total amount of prepaid ad valorem tax collected from renters during the applicable quarter.

Proposed law requires the collector to annually compute any underpayment or overpayment of ad valorem tax by the dealer for the tax year and report that amount to the dealer on the supplemental dealer's ad valorem tax bill which has to be sent to the dealer by the 15<sup>th</sup> day of February following the tax year to which the supplemental dealer's ad valorem tax bill applies. Such bill must include the assessed value of the dealer's heavy equipment rental property inventory on the assessment date for the tax year, the aggregate millage rate for the tax year, the total amount of ad valorem tax due by the dealer for the tax year, the prepaid ad valorem tax amount remitted by the dealer to the collector for the tax year, and the amount of any underpayment and the due date for the payment thereof or the amount of any overpayment.

Proposed law requires any underpayment of ad valorem tax to be paid by the dealer on or before the 15<sup>th</sup> day after the dealer receives the supplemental ad valorem tax bill. Any overpayment of ad valorem tax will be treated as prepaid ad valorem tax amount for the succeeding tax year.

Proposed law provides a penalty for the failure to remit ad valorem taxes at 5% of the tax that remains unpaid for each 30-day period or fraction, up to a maximum penalty of 25% of the tax. Other penalties are as provided in present law.

(Adds R.S. 47:2341-2349)