

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 330** HLS 13RS 871
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 28, 2013 1:06 PM	Author: GREENE
Dept./Agy.: LA Tax Commission / Local Government	
Subject: Reduce Homestead Exemption To \$25,000	Analyst: Greg Albrecht

TAX EXEMPTIONS/HOMESTEAD OR SEE FISC NOTE LF RV See Note Page 1 of 1
 (Constitutional Amendment) Reduces the homestead exemption

Currently, the first \$7,500 of assessed value of a homestead is exempt from state, parish, and special ad valorem taxes.

This bill would reduce the exemption to \$2,500 of assessed value.

To be submitted at the statewide election to be held on November 4, 2014 and effective January 1, 2015.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0	\$0				\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The amount of local property tax revenue affected statewide by changing the homestead exemption in the manner provided by this bill may be approximately \$720 million. This estimate was developed utilizing 2007-2011 American Community Survey 5-year Estimates Census data reporting the number of homes within several value brackets. This distribution was adjusted with LA Tax Commission data to reflect the 2012 number of homestead exemption applications. The average 2012 parish-wide millage (108.2 mills) was applied against that portion of the assessed value tax base, contained in the value brackets below \$75,000, that would be added to the homestead tax base as a result of this proposal. This method was tested against the Tax Commission's 2012 reported total amount of taxes foregone as a result of the homestead exemption in its entirety, and was found to generate an estimate some 19% too small on a statewide basis. That error was used to adjust the estimated increase in tax base resulting from this proposal, resulting in the approximate revenue affected. This methodology is particularly sensitive to the census data home value distribution, and can result in significantly varying estimates as that data is updated.

Changes in the homestead exemption may result in millage adjustments {Art. VII §23(B)} such that the total amount of taxes collected in the year does not differ from the amount collected in the preceding year. In addition, local assessors can reappraise property on an annual basis. Thus, one of the effects of this bill is likely to be a shifting of the incidence of the property tax burden among homeowners as well as among owners of other types of property, rather than necessarily an aggregate increase in property tax burdens and collections of the amounts estimated above.

In addition, to the extent the shifts in property tax incidence affect property classified as inventory, and millage adjustments affect inventory property, credits against state income and franchise taxes will change and net state tax receipts will change relative to expected baseline levels.

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| <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) >= \$500,000 Annual Fiscal Cost {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} |

John D. Carpenter

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