

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1050** HLS 14RS 231

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 25, 2014	1:02 PM	Author: CHANEY
Dept./Agy.: LA Tax Commission / Local Assessors		Analyst: Greg Albrecht
Subject: Agricultural Equipment Ad Valorem Tax Exemption		

TAX/AD VALOREM-EXEMPTION EN SEE FISC NOTE LF RV See Note Page 1 of 1
Provides relative to the ad valorem tax exemption for certain agricultural machinery and other implements

Current law {La Constitution Art. VII, §21(C)(11) } grants an exemption from ad valorem taxation to "agricultural machinery and other implements used exclusively for agricultural purposes". This term is defined in statute to apply when used on agricultural lands owned or leased by the person claiming the exemption.

Proposed law deletes the statutory qualifier that the agricultural lands be owned or leased by the person claiming the exemption.

Effective upon governor's signature.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	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	2014-15	2015-16	2016-17	2017-18	2018-19	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>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

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


REVENUE EXPLANATION

The state Constitution provides an ad valorem tax exemption to "agricultural machinery and other implements used exclusively for agricultural purposes". Statutory provisions add to this phrase language that may be interpreted to limit the exemption to equipment used on agricultural lands "owned or leased by the person claiming the exemption". This bill removes that language, and leaves the equipment exempt so long as it is used on agricultural lands, regardless of who owns the land.

According to the LA Assessor's Association, the typical assessment practice has been to grant exemption to equipment used on agricultural lands without qualifying the exempt status on the basis of land ownership. However, some assessors have questioned this practice and may have not granted the exemption to certain equipment. This bill removes the qualifying statutory language, and may result in lower overall assessed values than would otherwise be the case in parishes that may be considering the narrower interpretation of exemption.

Aggregate tax receipts in any particular locale may not be significantly affected though, to the extent millage adjustments offset the change in assessed values. In those cases, a redistribution of tax burdens occurs. The aggregate value of potentially affected agricultural equipment is not known. The distribution of such equipment is likely concentrated within rural areas of the state.

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| <input type="checkbox"/> Senate | <input type="checkbox"/> <u>Dual Referral Rules</u> | <input type="checkbox"/> House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {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} |


John D. Carpenter
Legislative Fiscal Officer