



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 11** HLS 243ES 15
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: November 11, 2024 2:24 PM	Author: DESHOTEL
Dept./Agy.: Local Govt, Tax Commission, Assessors	
Subject: Property Tax Law Restructuring, Optional Inventory Tax Exemption	Analyst: Benjamin Vincent

TAX/AD VALOREM TAX EG SEE FISC NOTE LF RV See Note Page 1 of 1
 Provides for the homestead exemption, special assessment level, and other property tax exemptions for purposes of determining ad valorem taxation of certain property (Items #1 and 10)
Proposed law generally replaces existing constitutional property tax provisions with statutory provisions, typically utilizing identical language. Additionally, proposed law establishes an optional local ad valorem tax exemption, provided that multiple participants including sheriffs, school boards, and parish governing authorities all assent.
 For taxing authorities that opt to exempt inventories, the bill partially offsets the resulting revenue reductions with payments within 30 days of certification by the Department of Revenue, apparently from the Revenue Stabilization Trust Fund (RSTF), specifying payment amounts based on estimates of recent-year inventory tax collections by parish and whether the exemption is phased in or immediately applied fully. Payments are to be prorated by each taxing authority that levies the ad valorem tax within the parish.
 Effectiveness is contingent on passage of a Constitutional amendment by a statewide election on March 29, 2025, which would be initiated by HB 7, should it become law.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	\$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	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

Proposed law would authorize payments out of existing funds within RSTF to political subdivisions, however further unspecified legislation would be required to enable and execute the payments. The timing of any such payments is thus unclear.

REVENUE EXPLANATION

The revenue impact of proposed law is generated by the optional exemption for business inventories to local ad valorem taxes. A taxing authority would become eligible to receive a payment from a state trust fund should they allow the exemption, a decision which would be irrevocable.

The varying amounts specified for each parish to potentially be awarded are done so in an effort to offset three typical years' worth of recent inventory tax collections (with a maximum of \$15 million) for any parish enacting a full exemption. For parishes phasing the exemption in, the bill specifies eligibility for a payment that is approximately equal to the actual prior year's collections. Over a five-year horizon, the proposal would reduce local revenues for any political subdivision that would opt in.

The magnitude of any local or statewide fiscal impact is indeterminable, as participation in the exemption is optional for any taxing authority. For illustrative purposes, in a scenario where each parish opted to receive their one-time payment authorized via full exemption, approximately \$563 million in payments out of the RSTF would be made to political subdivisions.

For any given political subdivision, the net revenue impact of the proposed bill would be determined by its own decision to either retain the inventory tax, grant the exemption immediately, or phase it in.

As interest earned on RSTF monies accrue to the general fund under current law, decisions made by political subdivisions to receive the payment would mechanically reduce the amount of interest-earning money in the fund, and would therefore impact SGF revenues. For illustrative purposes, in a scenario where interest earnings were approximately 3%, removing \$543 million from the RSTF would reduce interest earnings to the general fund by approximately \$16 million (compounding) annually.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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 Legislative Fiscal Officer