



**OFFICE OF LEGISLATIVE AUDITOR
Fiscal Note**

Fiscal Note On: **HB 449** HLS 17RS 851
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|---|--------------------------------|
| Date: April 24, 2017 4:57 PM | Author: ABRAMSON |
| Dept./Agy.: Statewide Nonprofits | Analyst: Barbara Lively |
| Subject: Property Tax - Exemption for Nonprofits | |

TAX/AD VALOREM-EXEMPTION OR INCREASE LF RV See Note Page 1 of 2
 (Constitutional Amendment) Establishes eligibility requirements for the exemption for property owned or leased by a nonprofit organization, authorizes adjustment of the status and extent of the exemption by the parish governing authority,
Purpose of the Bill: Constitutional Amendment provides that no exemption will be granted for vacant property or property not wholly used for the exempt purpose of the nonprofit. Also provides that the parish governing authority, if adopted by the parish governing authority and approved by the electors of the parish, can reduce or limit ad valorem "existing exemptions" for the assessed value for property owned/leased by nonprofit corporations and associations. However, in no case shall the tax exemption for a particular property be applicable to less than fifty percent of the assessed value of the property. In the year of implementation, taxes shall not increase above the amount collected in the preceding year by adjusting downwards the millages to reflect any changes in the tax base.

To be submitted at the statewide election to be held on October 14, 2017. Effective January 1, 2019.

| EXPENDITURES | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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> | INCREASE | INCREASE | INCREASE | INCREASE | <u>\$0</u> |
| Annual Total | \$0 | | | | | \$0 |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.
 The election on October 14, 2017 is a statewide election. The addition of constitutional amendments will not increase elections costs unless the number of constitutional amendments exceeds 10 amendments. However, if elections are called for reduction/limitation of existing exemptions in the future, local government expenditures may increase.

REVENUE EXPLANATION

This bill may increase local government revenues by an indeterminable amount.

This bill clarifies that property not wholly used for the purpose of the nonprofit will be subject to taxation. It further provides that vacant property owned by a nonprofit would be subject to taxation.

According to an official with the Louisiana Tax Commission, there is not a statewide listing of property values owned/leased by nonprofits and their associated millages. Therefore, we contacted four parishes to obtain such information, as follows:

An official with the Orleans Parish Assessor's Office stated that all property and buildings owned/leased by nonprofit organizations are currently being taxed if the building is used for a purpose unrelated or not wholly devoted and exclusively used for the non-profit's purpose. Therefore, there will be no impact as the property is already being taxed. However, in Orleans parish there are 2,141 parcels of vacant property owned by nonprofits that have an assessed value of \$2,163,699. If the property were added in 2019, estimated taxes based on the current assessed value of the property and all the 2017 millage rates of the City Parish would yield \$410,000.

An official with the Lafayette Parish Assessor's Office stated that the only property that will be impacted are the vacant properties owned by exempt organizations. They currently tax nonprofits that maintain property not wholly or exclusively used for the purpose of the nonprofit. In Lafayette there are 311 parcels of vacant property owned by nonprofits that have an assessed value of \$3,342,234. Assessment of current nonprofit property values at the 2017 millage rate would yield \$283,000 for parish millages and \$45,000 from municipal millages for a total of \$328,000.

Senate
 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}

Tom Cole
 Director of Financial Audit Services



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CONTINUED EXPLANATION from page one: Page 2 of 2
An official with the West Feliciana Parish Assessor's Office does not believe that there are properties within West Feliciana Parish that would be affected by the provisions of this bill.

An official with the Natchitoches Parish Assessor's Office does not think there will be a fiscal impact. The parish has only a small number of nonprofit agencies.

The bill also provides that the Parish governing authority may reduce or limit "existing exemptions." In no case shall a tax exemption for a particular property be applicable to less than fifty percent of the assessed value of the property. Such reduction/limitation is contingent on passage of a resolution/ordinance by the governing authority and approval by the voters of the parish. Also, millages will be rolled back so that revenue in the year of implementation will not exceed the previous year's revenue collections. However, in the year of reassessment, the governing authority may increase millages and revenue may increase. The specific fiscal impact would be very difficult to estimate based on all of these factors and the applicability of the bill statewide. However, in Orleans parish alone, the amount of assessed property involved could be \$140,000,000 and could generate a maximum of approximately \$21,600,000 (these numbers were provided by the Orleans Assessor's Office).

Senate Dual Referral Rules
13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
[X] 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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