



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 617** HLS 99- 528
 Bill Text Version: **REENGROSSED**
 Opp Chamb Action: **w/ SEN FLOOR AMD**
 Sub Bill For:
 Proposed Amd:

Date: June 15, 1999 10:44 AM **Author:** MURRAY
Dept/Agy: Economic Development **Analyst:** Greg Albrecht
Subject: Ad Valorem Tax - Ten Year Exemption for Residential Structures

TAX/AD VALOREM-EXEMPTION

(Constitutional Amendment) Extends authorization for tax exemption contracts for expansion, restoration, improvement, or development to include residential structures in Orleans Parish. To be submitted at the 1999 gubernatorial primary election. Allows the State Board of Commerce & Industry, with the approval of the governor and the local governing authority, to enter into contracts that provide preferential property taxation for residential structures subject to expansion, restoration, improvement, or redevelopment in Orleans Parish that are at least 40 years old and certified as blighted property. Contracts are for 5 years and shall not take effect until the property subject to preferential taxation is put into its intended use and has passed fire and safety inspections. A contract is terminated if the structure's use is changed from residential to commercial. The tax preference is the right to pay ad valorem taxes based on the assessed valuation of the property prior to commencement of improvements.

ESTIMATED FISCAL IMPACT:

EXPENDITURES	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>5 YEAR TOTAL</u>
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./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>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>5 YEAR TOTAL</u>
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE
Annual Total						

EXPLANATION OF ESTIMATES:

EXPENDITURES:

The Department of Economic Development indicates that it receives numerous inquiries about the existing Restoration Tax Abatement Program. The department will likely receive additional inquiries related to the variation of the program proposed by this bill (assuming that the department will administer this variation, as well). However, the limited nature of the provisions in this bill suggest that the department will likely be able to handle this variation on the program with existing staff resources. Any additional costs will be covered by application fees.

REVENUES:

The bill provides a variation of the Restoration Tax Abatement Program to include improvements to certain residential structures in Orleans Parish that are not in existing downtown, historic, or economic development districts. Presumably, this variation would be administered by the Department of Economic Development as the existing program is, but each exemption contract requires approval of the affected local government. This bill could result in an accumulation of revenue losses to the property tax recipient bodies in Orleans Parish. However, the bill contains fairly restrictive provisions for property eligibility. It is limited to Orleans Parish; the property must be at least 40 years old; the property must be certified as blighted; and, the property tax benefits provided by the bill are only extended for a single 5-year contract period. While there may be a substantial amount of qualifying property in Orleans Parish, the bill appears to target property that is not likely to be a significant part of the existing level of residential improvement activity that is occurring to some extent in virtually all communities. Combined with the eligibility requirements in this bill, this suggests that the revenue losses from residential improvement activity that was going to occur anyway in this community is likely to be relatively small, and may only accumulate to material amounts over several years.

The department will collect some fee revenue associated with applications for the existing program. That revenue is likely to be relatively small. The minimum sum of fees is about \$400 per application.

Dual Referral Rules

Senate

13.5.1 >= \$500,000 Fiscal Cost per year

13.5.2 >= \$500,000 Tax or Fee Change per year

House

6.8(F) >= \$500,000 Fiscal Cost per year

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

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ECONOMIST/SECTION DIRECTOR