

2015 Regular Session

HOUSE BILL NO. 682

BY REPRESENTATIVE KLECKLEY

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

TAX/AD VALOREM TAX: Establishes guidelines for the valuation of affordable rental housing for purposes of ad valorem property tax

1 AN ACT

2 To enact R.S. 47:2323(E), relative to ad valorem property tax; to provide with respect to  
3 assessments of certain immovable property; to define affordable rental housing for  
4 purposes of assessment; to provide for methods to be used for valuation of affordable  
5 rental housing; to provide for effectiveness; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:2323(E) is hereby enacted to read as follows:

8 §2323. Criteria for determining fair market value; real and personal property;  
9 unoccupied residential immovable property

10 \* \* \*

11 E. Affordable Rental Housing.

12 (1) In determining the fair market value of affordable rental housing, as  
13 defined in this Subsection, the assessor shall adhere to the following guidelines:

14 (a) The income method of valuation shall be utilized. In applying the  
15 income method of valuation, the actual rental income from rent-restricted units in the  
16 property shall be used.

17 (b) Tax credits granted, and any financing upon terms more favorable than  
18 market terms, shall not be considered as a component of value or as income to the  
19 property.

1           (2) The capitalization rate utilized in applying the income approach to  
2           valuation shall be determined and established on a periodic basis by the Louisiana  
3           Tax Commission.

4           (3) "Affordable rental housing" means residential housing consisting of one  
5           or more rental units, the construction and rental of which is subject to Section 42 of  
6           the Internal Revenue Code (26 U.S.C. 42), the Home Investment Partnership  
7           Program under the Cranston-Gonzales National Affordable Housing Act (42 U.S.C.  
8           12741 et seq.), the Federal Home Loan Banks Affordable Housing Program  
9           established pursuant to the Financial Institutions Reform Recovery and Enforcement  
10           Act (FIRREA) of 1989 (Public Law 101-73), or any other similar federal or state  
11           program.

12           Section 2. This Act shall become effective on January 1, 2016; if vetoed by the  
13           governor and subsequently approved by the legislature, this Act shall become effective on  
14           January 1, 2016, or on the day following such approval by the legislature, whichever is later.

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DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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HB 682 Original

2015 Regular Session

Kleckley

**Abstract:** Establishes guidelines for use by an assessor in the valuation of affordable rental housing for purposes of ad valorem property tax assessment.

Present constitution requires the assessment of property for purposes of ad valorem taxation. The assessed value of a property is based on a percentage of the property's fair market value.

Present law requires that uniform criteria be used by an assessor in the determination of fair market value for real and personal property. Fair market value is determined by using any of the following generally recognized appraisal procedures: the market approach, the cost approach, or the income approach.

Proposed law establishes the following guidelines to be used by an assessor in determining the fair market value of affordable rental housing:

- (1) The income method of valuation shall be used, with application of the income method based upon the actual rental income from rent-restricted units.
- (2) Tax credits and financing upon terms more favorable than market terms shall be excluded from the valuation.

Present law requires that in using the income approach, an assessor shall use an appraisal technique in which the anticipated net income is processed to indicate the capital amount of the investment which produces the net income.

Proposed law requires the La. Tax Commission to establish the capitalization rate to be used in applying the income approach to valuation.

Proposed law defines "affordable rental housing" as residential housing consisting of one or more rental units, the construction and rental of which are subject to the requirements of the federal low-income housing tax credit, and which may have participated in other federal or state low income housing program benefits.

Effective Jan. 1, 2016.

(Adds R.S. 47:2323(E))