

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 682** HLS 15RS 181

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 9, 2015 9:54 AM	Author: KLECKLEY
Dept./Agy.: LA Tax Commission / Local Assessors	Analyst: Greg Albrecht
Subject: Ad Valorem Fair Market Value of Affordable Rental Housing	

TAX/AD VALOREM TAX OR SEE FISC NOTE LF RV See Note Page 1 of 1
Establishes guidelines for the valuation of affordable rental housing for purposes of ad valorem property tax

Current law requires the fair market value of real and personal property to be determined using generally recognized appraisal procedures of the market approach, the cost approach, and the income approach.

Proposed law requires the income method of valuation to be utilized to establish the fair market value of defined affordable rental housing. The actual rental income from rent-restricted units is to be used. Tax credits granted and below market financing terms shall not be considered as a component of valuation or as income to the property. The capitalization rate utilized in the income approach is to be determined periodically by the Louisiana Tax Commission.

Effective January 1, 2016.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<u>\$0</u>
Annual Total	\$0					\$0

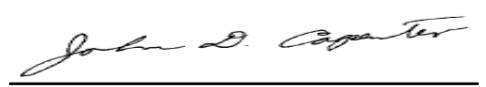
EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Owners of the type of properties referenced in the bill may prefer to reduce their value for property tax purposes by capitalizing the value of tax credits and preferential financing terms into the fair market value of the property. This bill appears to prohibit those features of the property from being utilized in determining the fair market value of affordable rental housing property. To the extent this is done, the value of these properties for ad valorem taxation purposes will be greater than it would be were these features allowed to reduce valuations, and the amount of tax liability payments associated with these properties should be greater. Aggregate tax receipts in any particular locale may not be affected though, as millage adjustments may offset the rise in assessed values. In those cases, a redistribution of tax burdens will occur, with more tax from these properties and less tax from all other properties. The aggregate value of such property and the amount of capitalized benefit is not known. The distribution of such properties is likely concentrated within metropolitan areas of the state as is resident population.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <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 Rev. Red. to State {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