

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 20, 2015	1:34 PM	Author: KLECKLEY
Dept./Agy.: LA Tax Commission / Local Assessors		
Subject: Ad Valorem Fair Market Value of Affordable Rental Housing		Analyst: Greg Albrecht

TAX/AD VALOREM TAX EG 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

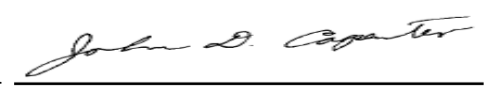
There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

According to the Louisiana Assessors Association, in general, the value of tax credits and preferential financing involved rent-restricted housing property is one of the various components of the valuation of those properties, and a valuation agreeable to property owners and assessors is determined. This bill mandates a particular valuation method be utilized, the income method, and prohibits the consideration of credits and preferential financing arrangements as part of the income of those properties. This will work to reduce the fair market and assessed value of these properties, and consequently local ad valorem tax receipts associated with those properties.

Aggregate tax receipts in any particular locale may not be fully affected though, as millage adjustments and reassessments may offset all or a portion of the change in assessed values of these particular properties. In those cases, a redistribution of tax burdens will occur, with less tax from these properties and more tax from all other properties.

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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