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## DIGEST

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HB 448 Engrossed

2017 Regular Session

Abramson

**Abstract:** Limits eligibility for the ad valorem tax exemption in Orleans Parish for a nonprofit organization to property that is in use exclusively for the exempt purpose of the organization, and authorizes adjustment of the extent of the tax exemption by the Orleans Parish governing authority, subject to voter approval, and requiring concurrent downward adjustment of millages to reflect any resulting changes in the tax base.

Present constitution provides for the classification and assessment of property subject to ad valorem taxation. Further provides certain exemptions to ad valorem taxes.

Present constitution authorizes an exemption for property owned by a nonprofit corporation or association organized and operated exclusively for the following purposes:

- (1) Religious.
- (2) Dedicated places of burial.
- (3) Charitable.
- (4) Health and welfare.
- (5) Educational.
- (6) A charitable or fraternal club or lodge.
- (7) Promotion of trade, travel, and commerce.
- (8) A professional society or association for trade, business, or industry.

Present constitution authorizes an exemption for property leased to a nonprofit corporation or association for use solely for the following purposes:

- (1) Housing for homeless persons.
- (2) Property of a bona fide labor organization representing its members or affiliates in collective bargaining efforts.

Present constitution provides that none of the property of nonprofit corporations or organizations shall be exempt if owned, operated, leased, or used for commercial purposes unrelated to the exempt purposes of the corporation or association.

Proposed constitutional amendment retains present constitution and prohibits eligibility for the exemption for property in Orleans Parish if the property has been vacant for longer than two years or is not wholly devoted to and exclusively used for the exempt purpose of the corporation or association. For purposes of proposed constitutional amendment "exclusive use" occurs when no more than 5% of the nonprofit entity's annual revenue from that property is required to be reported as taxable income for purposes of federal taxation.

Proposed constitution adds authority for the Orleans Parish governing authority, by ordinance and with voter approval, to provide for the applicability or extent of exemptions for nonprofit organizations. A reduction in the amount of a tax exemption shall not exceed fifty percent of the assessed value of the property. Any change in an exemption shall become effective on the first day of the calendar year following the year in which it was approved and shall be deemed to be an implementation of proposed constitution.

Proposed constitution requires that in any year in which the provisions of proposed constitution are implemented, all millages in Orleans Parish shall be adjusted downward to prevent any increase in the amount of taxes collected due to the provisions of proposed constitution. To accomplish this

result, each taxing authority is required, in any year of implementation, to adjust millages downwards without regard to millage limitations contained in present constitution, and the maximum authorized millages shall be decreased, without further voter approval. Thereafter, such millages shall remain in effect unless changed as permitted by present constitution.

Provides for submission of the proposed amendment to the voters at the statewide election to be held Oct. 14, 2017.

Effective Jan. 1, 2019.

(Amends Const. Art. VII, §21(B)(3); Adds Const. Art. VII, §21(B)(4) and (5))

#### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Add restrictions for eligibility for the exemption concerning vacant property and proportions of revenue from such property being subject to reporting as taxable income for purposes of federal taxes.