LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 101** SLS 09RS 522
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 10, 2009 6:03 PM **Author:** HEBERT
Dept./Agy.: LA Tax Commission / Local Government
Subject: Property Tax - Homestead Exemption Increased By CPI **Analyst:** Greg Albrecht

TAX/AD VALOREM OR SEE FISC NOTE LF RV See Note

Constitutional amendment to require the homestead exemption to be increased each reappraisal year in accordance with the increases in the Consumer Price Index. (2/3 - CA13s1)

Currently, the first $7,500 of assessed value of a homestead is exempt from state, parish, and special ad valorem taxes.

This bill would increase the homestead exemption, effective January 1, 2012, by the percentage increase in the consumer Price Index for the preceding four calendar years. In each subsequent reappraisal year the exemption amount would again be increased by the percent change in the CPI since the last adjustment.

To be submitted at the statewide election to be held on November 2, 2010.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	SEE BELOW	SEE BELOW	**$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	$0	$0	$0	SEE BELOW	SEE BELOW	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The amount of local property tax revenue affected statewide by changing the homestead exemption in the manner provided by this bill may be approximately $35 million, initially. This estimate was developed utilizing 2000 census data reporting the number of homes within several value brackets. This distribution was adjusted with LA Tax Commission data to reflect the 2008 number of homestead exemption applications and the 2008 share of homesteads that are 100% exempt. The average 2008 parish-wide millage was applied against that portion of the assessed value tax base, contained in the value brackets in excess of $75,000, that would be removed from the homestead tax base as a result of this proposal. This method was tested against the Tax Commission's 2008 reported total amount of taxes foregone as a result of the homestead exemption in its entirety, and was found to generate an estimate some 12.2% too large on a statewide basis. That error was used to adjust the estimated decrease in tax base resulting from this proposal, resulting in the approximate revenue affected.
Current projections of the consumer price index have it averaging about 2% per year over the next few years. While these are modest annual growth rates, they would provide for a 8.2% increase in the homestead exemption at the first application on indexing (from $75,000 to $81,000). Every four years thereafter a comparable increase (or more) would likely occur with greater affected property tax revenue amounts due to compounding of CPI growth.

Changes in the homestead exemption may result in millage adjustments {Art. VII §23(B)} such that the total amount of taxes collected in the year does not differ from the amount collected in the preceding year. In addition, local assessors can reappraise property on an annual basis. Thus, one of the effects of this bill is likely to be a shifting of the incidence of the property tax from certain homeowners to other homeowners and to owners of other types of property, rather than an aggregate decrease in property tax burdens and collections of the amounts estimated above.
In addition, to the extent the incidence of property tax is shifted onto property classified as inventory, and millage adjustments impose higher millages on inventory property, credits against state income and franchise taxes will be larger and state tax collections will decrease relative to expected baseline levels. For a given assessed value of inventories and potential millage roll-ups, state tax collections could decrease by a material amount; approximately $3.7 million per year.

Senate — Dual Referral Rules — House

- [ ] 13.5.1 >= $500,000 Annual Fiscal Cost
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change
- [ ] 6.8(F) >= $500,000 Annual Fiscal Cost
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer