

Regular Session, 2010

SENATE BILL NO. 630

BY SENATOR NEVERS

TAX/AD VALOREM. Provides for the fair market value of property held for residential development for property tax purposes. (gov sig)

1 AN ACT

2 To amend and reenact R.S. 47:2321 and the introductory paragraph of 2323(C) and to enact
3 R.S. 47:2323(C)(4), relative to ad valorem property tax; to provides for the fair
4 market value of property held for residential development; and to provide for related
5 matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:2321 and the introductory paragraph of 2323(C) is hereby
8 amended and reenacted and RS. 47:2323(C)(4) is hereby enacted to read as follows:

9 §2321. Fair market value; defined

10 Fair market value is the price for property which would be agreed upon
11 between a willing and informed buyer and a willing and informed seller under usual
12 and ordinary circumstances; it shall be the highest price estimated in terms of money
13 which property will bring if exposed for sale on the open market with reasonable
14 time allowed to find a purchaser who is buying with knowledge of all the uses and
15 purposes to which the property is best adapted and for which it can be legally used
16 **unless the provisions of this Part provide for property whose circumstances are**
17 **not usual and ordinary and therefore require a determination of fair market**

1 value not through general appraisal procedures.

2 * * *

3 §2323. Criteria for determining

4 * * *

5 C. Criteria.

6 The fair market value of real and personal property shall be determined by
7 ~~the following generally recognized appraisal procedures:~~ the market approach, the
8 cost approach, and/or the income approach **which are generally recognized**
9 **appraisal procedures and by the other valuation method provided for in this**
10 **Subsection.**

11 * * *

12 **(4)(a) The legislature hereby finds that general appraisal procedures are**
13 **not suitable for determining the fair market value of property held for**
14 **residential development. Therefore, notwithstanding any other law to the**
15 **contrary, when determining the fair market value of property held for**
16 **residential development, the assessor shall value the property at the purchase**
17 **price of the land without any subsequent infrastructure improvements**
18 **according to the Louisiana Tax Commission guidelines provided for in**
19 **Subparagraph (b) of this Paragraph. The value shall remain in place until the**
20 **last lot of the residential development is sold as a residence. When a particular**
21 **lot is improved, sold, and occupied as a residence, that improved lot shall then**
22 **be valued utilizing the procedures provided for in Paragraphs (1) through (3)**
23 **of this Subsection.**

24 **(b) The Louisiana Tax Commission shall develop guidelines for the**
25 **appropriate valuation of property held for residential development which shall**
26 **include but not be limited to:**

27 **(i) Physical and economic risks.**

28 **(ii) Prevailing interest rates.**

29 **(iii) The inventory of residential real estate in each region of Louisiana.**

1 Section 2. This Act shall become effective upon signature by the governor or, if not
2 signed by the governor, upon expiration of the time for bills to become law without signature
3 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
4 vetoed by the governor and subsequently approved by the legislature, this Act shall become
5 effective on the day following such approval.

The original instrument and the following digest, which constitutes no part
of the legislative instrument, were prepared by Riley Boudreaux.

DIGEST

Present constitution requires property to be taxed for ad valorem tax purposes at its assessed valuation, which is a percentage of its fair market value to be determined in accordance with criteria which shall be established by law.

Present law defines fair market value as the price for property which would be agreed upon between a willing and informed buyer and a willing and informed seller under usual and ordinary circumstances and requires the criteria for determining such value to be generally recognized appraisal procedures: the market approach, the cost approach, and/or the income approach.

Proposed law requires the assessor to value property held for residential development at the purchase price of the land without any subsequent infrastructure improvements according to La. Tax Commission guidelines set forth below. The value remains in place until the last lot of the residential development is sold as a residence. When a particular lot is improved, sold, and occupied as a residence, that improved lot must then be valued utilizing the generally recognized appraisal.

Proposed law requires the tax commission to develop guidelines for the appropriate valuation of property held for residential development which must include but not be limited to:

1. Physical and economic risks.
2. Prevailing interest rates.
3. The inventory of residential real estate in each region of La.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 47:2321 and 2323(C)(intro para); adds R.S. 47:2323(C)(4))