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## DIGEST

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### CONFERENCE COMMITTEE REPORT DIGEST

**HB 365**

**2025 Regular Session**

**Deshotel**

#### **Keyword and oneliner of the instrument as it left the House**

TAX/AD VALOREM TAX: Provides for an optional exemption of business inventory from ad valorem taxes and to authorize the reduction of the fair market value percentage of business inventory under certain circumstances

#### **Report adopts Senate amendments to:**

1. Authorize an optional exemption for "business inventory" held for sale in the ordinary course of business, is in the process of production for subsequent sale, or is to physically become a part of the production of goods.
2. Change the election deadline for a parish to exempt business inventory and receive a payment from the state from July 1, 2028, to July 1, 2027.
3. Change the year to which the state payment amount is calculated for a parish exempting all or a portion of business inventory from property taxes from 2025 to 2026.
4. Provide that a parish's election to reduce the percentage of fair market value of business inventory is irrevocable, may only be done once an assessment period, and once the fair market value has been decreased, it can not be increased.
5. Change the applicability of proposed law from property tax years beginning on or after Jan. 1, 2027, to property tax years beginning on or after Jan. 1, 2026.
6. Remove the Jan. 1, 2027, effective date of proposed law.

#### **Report rejects Senate amendments which would have:**

1. Included commodities from agricultural cooperatives and exclude agricultural inputs used in the production of foods and fibers from the definition of "business inventory".

### **Report amends the bill to:**

1. Change the name of the fund to which one-time payments to local governments which elect to exempt business inventory from ad valorem taxes are paid from the Revenue Stabilization Fund to the Revenue Stabilization Trust Fund.
2. Change the definition of "business inventory".
3. Make references to the reduction of the percentage of fair market value consistent throughout proposed law.
4. Make technical changes.

### **Digest of the bill as proposed by the Conference Committee**

Present constitution requires all property subject to ad valorem tax to be listed on the parish assessment rolls at its assessed valuation which is a percentage of the property's fair market value. Present constitution requires the percentage of fair market value to be uniform throughout the state on the same class of property and requires assessors to reappraise and value property at intervals of not more than four years.

Present constitution provides for the different classifications of property which corresponds with a percentage of fair market value applicable to each classification.

### **Business Inventory - Optional Exemption**

Proposed law adds an optional ad valorem tax exemption on items constituting business inventory. Proposed law defines "business inventory" to include items of tangible personal property held for sale in the ordinary course of business, are in the process of production for subsequent sale, or are to physically become a part of the production of goods.

Proposed law limits the optional exemption to parishes that the sheriff, school board, and the parish governing authority elect to exempt business inventory from ad valorem taxation.

Proposed law requires a parish electing, prior to July 1, 2027, to exempt 100% of property constituting business inventory from ad valorem taxes either immediately or over a period not to exceed five years to receive a one-time payment from the Revenue Stabilization Trust Fund. Further provides that an exemption made pursuant to proposed law shall be applicable to taxable periods beginning on and after Jan. 1, 2027.

Proposed law provides that the state payment amount to a parish electing to exempt 100% of business inventory immediately shall equal the greater of thrice the amount of ad valorem taxes collected on business inventory within the parish for the 2026 tax year or \$1M. However, the maximum amount a parish may receive shall not exceed \$15M.

Proposed law provides that the state payment amount to a parish electing to exempt 100% of business inventory over a period not to exceed five years shall equal the greater of the amount of ad valorem taxes collected on business inventory within the parish for the 2026 tax year or \$500,000. However, the maximum amount a parish may receive shall not exceed \$10M.

Proposed law prohibits a state payment to a parish electing to exempt business inventory from ad valorem tax on or after July 1, 2027. Furthermore, any parish electing to partially exempt business inventory by reducing the fair market value applicable to property considered business inventory shall not be eligible for a state payment.

Proposed law requires the tax collector of each parish electing to exempt business inventory from ad valorem taxation to distribute the state payment received from the state treasurer on a pro rata basis to each taxing authority within the parish that levies an ad valorem tax. Further requires the treasurer to disburse monies to the collector within 30 days of receiving certification from the Dept. of Revenue that the parish has elected to irrevocably exempt 100% of business inventory from ad valorem tax.

### **Business Inventory - Reduction in Percentage of Fair Market Value**

Present constitution provides that business inventory is assessed at 15% of its fair market value.

Proposed law retains all provisions of present constitution and allows a parish to elect to partially exempt business inventory from property taxes by reducing the percentage of fair market value applicable to business inventory if approved by the parish's sheriff, school board, and parish governing authority.

Proposed law provides that the election by a parish to reduce the percentage of fair market value of business inventory shall be irrevocable and once the percentage of fair market value has been reduced, the percentage of fair market value shall not be increased. Proposed law limits the reduction in the percentage of fair market value of business inventory to no more than once an assessment period.

Proposed law requires the election to be sent in writing to the La. Tax Commission and the parish tax assessor along with the new percentage of fair market value applicable to business inventory in the parish and the taxable periods to which the reduction will apply within 10 calendar days of the execution of the agreement between the sheriff, school board, and the parish governing authority to reduce the percentage of fair market value applicable to business inventory.

Proposed law requires the La. Tax Commission to include all written notifications received from parishes indicating a reduction of the percentage of the fair market value applicable to business inventory in the commission's annual reports.

Proposed law requires that any decrease in the total amount of ad valorem tax collected by the taxing authority as a result of the reduction be absorbed by the taxing authority and no additional tax liability should be created as a result of a subsequent reappraisal valuation or millage adjustment.

Effective if and when the proposed amendment of Article VII of the Constitution of La. contained in the Act which originated as House Bill No. 366 of this 2025 R.S. of the Legislature is adopted at a statewide election and becomes effective.

(Adds R.S. 47:1703.2 and 1703.3)