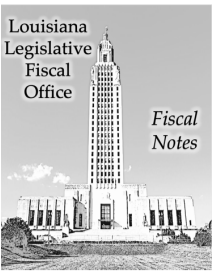


**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 1124** HLS 26RS 2739

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 5, 2026	3:28 PM	<b>Author:</b> HEBERT
<b>Dept./Agy.:</b> Local Parish Governments		<b>Analyst:</b> Garrett Ordner
<b>Subject:</b> Inventory Tax Exemption Phase-in Period		

TAX/AD VALOREM-EXEMPTION OR SEE FISC NOTE SD EX Page 1 of 1

Provides relative to an optional exemption of business inventory from ad valorem taxes and a partial exemption for that property based on fair market value adjustments

Act 221 of the 2025 RS is a constitutional amendment allowing parish governments to implement a full or partial ad valorem tax exemption on business inventory. The constitutional amendment will be presented to voters at the statewide election on May 16, 2026. Act 357 of the 2025 RS provides payments to parish governments which elect to implement a full exemption immediately or over a phase-in period not to exceed five years, and Act 357 of the 2025 RS requires parishes who implement a partial exemption by reducing the percentage of FMV applicable to business inventory to submit notice of the exemption in writing to the Louisiana Tax Commission (LTC) and the appropriate tax assessor within ten calendar days of the execution of the tax exemption agreement between the parish's sheriff, school board, and parish governing authority. Proposed law provides that the phase-in of the exemption may take place over a period not to exceed seven years instead of five. Proposed law provides that notice of a partial exemption must be submitted within fifteen calendar days instead of ten. Proposed law is effective upon approval of the amendment in Act 221 of the 2025 RS.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	<b>SEE BELOW</b>	<b>SEE BELOW</b>	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>\$0</b>
Agy. Self-Gen.	\$0	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

To the extent that the extended phase-in period causes more parishes to elect to provide a phased-in 100% inventory tax exemption, more parishes will be eligible for payments from the Revenue Stabilization Fund. Payments for a phased-in tax exemption equal the greater of the amount of inventory tax that a parish collected in the 2026 tax year or \$500,000 and are capped at \$10 M per parish. Note that proposed law does not change the timing or amount of the payments; it only allows parishes to implement phased-in exemptions over a longer period while remaining eligible for the payments.

The LFO's analysis of Act 357 of the 2025 RS estimated a cost of \$295.9 M if all parishes elect to implement a phased-in exemption, or an average of \$4.6 M per parish. However, the number of parishes that would elect to implement a phased-in exemption due to proposed law is indeterminable.

Note that because the disbursement deadline for payments is 30 days after a parish elects to implement the exemption, and because the deadline to implement the exemption while remaining eligible for the payment is July 1, 2027, payments made pursuant to the exemption may occur as late as FY 28.

**REVENUE EXPLANATION**

To the extent that the extended phase-in period causes more parishes to elect to provide a phased-in 100% inventory tax exemption, more parishes will experience a decrease in ad valorem tax revenues. The decrease would be phased in over a period not to exceed seven years. Decreases in inventory taxes collected may also decrease the amount of inventory tax credit claimed.

Present law provides for an income tax credit for ad valorem tax payments on business inventory. The credit was sunset for C-corporations, estates, and trusts on July 1, 2026. To the extent that proposed law causes additional parishes to implement a phased-in exemption of business inventory from ad valorem taxes, there will be a corresponding reduction in tax credits for eligible entities. Because the Department of Revenue (LDR) receives 1% of income taxes collected for operating expenses, an increase in SGF revenues will also increase SGR revenues to LDR.

For informational purposes, LDR reports that according to the unreleased 2025-2026 Tax Exemption Budget, revenue losses due to the inventory tax credit totaled \$422 M in FY 25. However, this includes tax credits for entities which have since been sunset.

Senate  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Alan M. Boxberger*  
**Alan M. Boxberger**  
**Legislative Fiscal Officer**