



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 385** HLS 11RS 695
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 11, 2011 8:01 AM	Author: HENDERSON
Dept./Agy.: LA Tax Commission / Local Government	
Subject: Property Tax - Homestead Exemption Increase To \$10,000	Analyst: Greg Albrecht

TAX EXEMPTIONS/HOMESTEAD OR SEE FISC NOTE LF RV See Note Page 1 of 1
(Constitutional Amendment) Increases the homestead exemption and provides for adjustment of the exemption after reappraisal

Current law exempts the first \$7,500 of assessed value of a homestead from state, parish, and special ad valorem taxes.
Proposed law increases the homestead exemption to \$10,000 of assessed value beginning January 1 2012. In addition, in the tax year following a statewide reappraisal of property, the exemption shall be adjusted to reflect the change in the consumer price index. However, the exemption shall never be less than \$10,000.

To be submitted at the statewide election to be held on October 22, 2011. Effective January 1, 2012.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	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	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	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	SEE BELOW	SEE BELOW	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 \$180 million, initially. This estimate was developed utilizing 2005-2009 census data reporting the number of homes within several value brackets. This distribution was adjusted with LA Tax Commission data to reflect the 2010 number of homestead exemption applications. The average 2010 parish-wide millage (106.2 mills) 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 2010 reported total amount of taxes foregone as a result of the homestead exemption in its entirety, and was found to generate an estimate some 6.6% 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 above.
Current projections of the consumer price index have it averaging about 2.5% per year over the four years following the effectiveness of indexing provided by this bill. While these are modest annual growth rates, they would provide for a 10.4% increase in the homestead exemption over a four year period (from \$10,000 to \$11,040). The amount of local property tax revenue affected statewide by indexing the homestead exemption is estimated to be an additional \$67 million by the fourth year of CPI adjustments.

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 relatively large change in taxable homestead valuation, as that resulting from this bill, annual state tax collections could decrease by material amounts; possibly in excess of \$17 million per year in this case.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	 H. Gordon Monk Legislative Fiscal Officer
		<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	