

2016 Regular Session

HOUSE BILL NO. 610

BY REPRESENTATIVES ABRAHAM AND BARRAS

TAX/AD VALOREM TAX: Prohibits the inclusion of the value of certain federal tax credits and special financing provisions when determining the fair market value of certain property for purposes of tax assessment

1 AN ACT

2 To amend and reenact R.S. 47:2323(C)(3) and to enact R.S. 47:2323(E), relative to ad
3 valorem property tax assessments; to provide with respect to the fair market
4 valuation of property for purposes of assessment; to prohibit consideration of the
5 value of certain federal tax and financial benefits for certain residential housing unit
6 property in determining fair market value; to provide with respect to the income
7 approach for property valuation; to provide for effectiveness; and to provide for
8 related matters.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 47:2323(C)(3) is hereby amended and reenacted and R.S. 47:2323(E)
11 is hereby enacted to read as follows:

12 §2323. Criteria for determining fair market value; real and personal property;
13 unoccupied residential immovable property

14 * * *

15 C. Criteria.

16 The fair market value of real and personal property shall be determined by
17 the following generally recognized appraisal procedures: the market approach, the
18 cost approach, and/or the income approach.

19 * * *

1 (3) In utilizing the income approach, the assessor shall use an appraisal
2 technique in which the anticipated net income is ~~processed~~ capitalized to indicate the
3 capital amount of the investment which produces the net income.

4 * * *

5 E. When performing a valuation of any affordable rental housing property,
6 the assessor shall not consider any of the following in determining fair market value:

7 (1) Income tax credits available to the property under Section 42 of the
8 Internal Revenue Code.

9 (2) Below market interest rate on financing obtained under the Home
10 Investment Partnership Program under the Cranston-Gonzales National Affordable
11 Housing Act, or the Federal Home Loan Bank Affordable Housing Program
12 established pursuant to the Financial Institution Reform, Recovery, and Enforcement
13 Act of 1989.

14 (3) Any other federal, state, or similar program intended to provide or
15 finance affordable rental housing to persons of low or moderate income and
16 requiring restricted occupancy and rental rates based on the income of the persons
17 occupying such housing.

18 Section 2. This Act shall become effective on January 1, 2017.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 610 Engrossed

2016 Regular Session

Abraham

Abstract: Prohibits the consideration of the value of federal low income housing tax credits or special financing assistance in the determination of the fair market value of certain residential housing units for purposes of property tax assessment.

Present law establishes the criteria to be used by assessors in determining the fair market value of real and personal property, so that assessments may be made uniformly throughout the state. The fair market value of property shall be determined by following generally recognized appraisal procedures, specifically: the market approach, the cost approach, and/or the income approach.

Present law requires that in using the income approach, an assessor shall use an appraisal technique in which the anticipated net income is processed to indicate the capital amount of the investment which produces the net income.

Proposed law retains present law but specifies that for purposes of the income approach the anticipated net income is "capitalized" rather than "processed".

Proposed law adds additional criteria concerning the determination of value of residential housing unit property, the operation of which is subject to requirements of Section 42 of the Internal Revenue Code or any similar federal or state program.

Proposed law prohibits the consideration of any value of federal or state tax credits or special financing terms as a component of the property value or as income to the property, including but not limited to: below market interest rate on financing obtained under the Homes Investment Partnership Program under the Cranston-Gonzales National Affordable Housing Act or the Federal Home Loan Bank Affordable Housing Program established pursuant to federal law, and any other federal, state, or similar program intended to provide low-income housing with restricted occupancy and rental rates.

Effective January 1, 2017.

(Amends R.S. 47:2323(C)(3); Adds R.S. 47:2323(E))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Change the treatment of anticipated net income for purposes of the income approach for valuation.
2. Add specific references for the special financing terms, tax credits, and other benefits which shall not be considered in the valuation of affordable rental housing.