

Louisiana Tax Commission

Presentation for House Ways and Means Subcommittee to Study the State's Tax Structure

Wednesday, November 30, 2022

Tax Commission – Overview

- ◆ The Tax Commission is the state agency vested with broad authority as to the administration and enforcement of the state property tax and assessment laws.
- ◆ The Tax Commission is composed of five members appointed by the Governor from each Public Service Commission district.
- ◆ The Tax Commission prepares and issues rules and regulations which prescribe how Assessors are to perform their duties and responsibilities.
- ◆ The Tax Commission publishes an Annual Report containing summaries of property tax information each year.

Louisiana Property Tax – Overview

- ◆ Ad valorem taxes (i.e. property tax) is a major source of revenue for Louisiana local government.
- ◆ Per the Louisiana constitution, all property in Louisiana is subject to ad valorem taxes unless otherwise exempted.
- ◆ Property Tax Exemptions must be contained in the constitution.
 - ◆ Examples: ITEP, Homestead.

Property Tax – How Calculated?

- ◆ Elected Parish Tax Assessors are required to “assess” all property* within their respective parishes for purposes of ad valorem taxation, following this basic guideline:
 - ◆ 1. Appraise the property at fair market value.
 - ◆ 2. Assess the property at the constitutionally-mandated assessment level.
 - ◆ 3. Apply exemptions (if applicable).
- ◆ This results in an assessed value, which is provided to the tax collector (typically the parish sheriff), who generates a tax bill based on the millages applicable to the subject assessment.

* Parish Tax Assessors assess all property except public service properties, which are centrally assessed by the Tax Commission.

Two Classes of Property

- Real Property – includes land, buildings and other improvements to land and mobile homes. Often referred to as immovable.
 - This includes both residential and commercial property.
 - Real Property is reappraised once every four years.
- Personal Property – includes movable items such as machinery, fixtures, and furnishings. Often referred to as movable.
 - This also includes inventory, barges, pipelines, oil/gas wells.
 - Personal Property is reappraised every year.

Appraisal Methodology

- ◆ Step One of the assessment process is appraisal at fair market value.
- ◆ Three approaches to value:
 - ◆ Market (Sales Comparison)
 - ◆ Cost
 - ◆ Income
- ◆ Generally, the type of property being assessed will dictate the methodology being employed.
- ◆ Real Property – typically market approach or income approach (if property is income-generating and data is available).
- ◆ Personal Property (like inventory) – typically cost approach

Appraisal Examples

- ◆ Market/Sales Approach:
 - ◆ Most commonly used for residential property.
 - ◆ Assessor/appraiser identifies valid, arms-length sale of similarly situated, comparables properties, makes adjustments to those sales as needed (to account for differences such as size, shape, location).
- ◆ Cost Approach:
 - ◆ Most commonly used for personal property.
 - ◆ Taxpayers self-report personal property to parish assessor using LAT forms.
 - ◆ Assessors use self-reported information along with valuation tables adopted by the Tax Commission to determine fair market value.
- ◆ Income Approach:
 - ◆ Most commonly used for income-producing property where income data is reliable and available. Example: hotels, commercial rental property, or residential rental properties.
 - ◆ Income data is analyzed to determine annual Net Operating Income, which is then capitalized at a discount rate (which will vary on the type of property being appraised) to determine fair market value.

Assessment Levels

- **See Louisiana Constitution Article 7, Section 18(B)**
 - The rate used in determining assessed value differs depending on property type.
 - Land – Assessed at 10% of fair market value
 - Residential Property – Assessed at 10% of fair market value
 - Commercial Property – Assessed at 15% of fair market value
 - Public Service Property – Assessed at 25% of fair market value
 - For example, land with a fair market value of \$100,000 would have an assessed value of \$10,000.
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- *Agricultural, marsh and timber lands are assessed at 10% of *use* value

Exemptions

- **See Louisiana Constitution Article 7, Section 20 and 21**
- **Homestead Exemption** – applies to property taxes levied in all political subdivisions other than taxes levied by municipalities, except it does apply to municipal taxes levied in Orleans Parish.
- **Other Exemptions** – The constitution also provides for a wide variety of specific exemptions from property tax.

Homestead Exemption

- ◆ **See Louisiana Constitution Article 7, Section 20**
- ◆ To qualify:
 - ◆ Must be residential property
 - ◆ Must be owner-occupied, and owner must be a natural person (*but see caveats below*)
 - ◆ Must be primary residence
 - ◆ Can only qualify for one homestead exemption
- ◆ Some caveats:
 - ◆ Surviving spouse generally continues to qualify
 - ◆ Exemption applies when property is held in trust occupied by the beneficiaries
 - ◆ Exemption applies when property is subject to usufruct if usufructuary is prior owner and current resident
- ◆ Exemption is \$7,500 of assessed value (or \$75,000 of market value)

Other Exemptions

- ◆ **See Louisiana Constitution Article 7, Section 21**
- ◆ Over 30 “other” exemptions provided in Section 21, including:
 - ◆ Disabled Veterans
 - ◆ Nonprofit Corporations
 - ◆ ITEP
 - ◆ Motor Vehicles
 - ◆ Agricultural businesses
 - ◆ Household furnishings

Special Assessment Levels

See Louisiana Constitution Article 7, Section 18(G)

Property which is eligible for the homestead exemption may receive a special assessment level and receive a “frozen” assessed value.

The two criteria for the special tax treatment are:

1. The property owner's adjusted gross income is \$100,000 or less.

and

2. Any of the following applies to the property:

- a. Is owned and occupied by a person 65 years old or older.

- b. Is owned and occupied by a person who has a 50% or greater military service-related disability.

- c. Is owned and occupied by a person who is 100% disabled as certified by state and federal agencies charged with determining disability.

Millages

- Millage Rate – is the tax rate that applies in the calculation of a specific property tax levy.
 - Millage rates are not expressed as regular percentages, but instead as tenths of a penny.
- Examples of political subdivisions collecting millage funding are:

Schools

Law Enforcement

Libraries

Hospitals

Fire Districts

Recreation

Health Units

Drainage Districts

Fresh Water

Juvenile Justice

Levee Districts

Road Districts

Examples of Parish Millage rates (2021)

◆ Assumption	105.2	◆ Natchitoches	89.7
◆ Bossier	114.8	◆ Orleans	140.7
◆ Calcasieu	107.9	◆ Ouachita	96.4
◆ East Baton Rouge	114.5	◆ Pointe Coupee	62.8
◆ East Feliciana (lowest)	49	◆ Rapides	109.1
◆ Grant (highest)	156.7	◆ St. Bernard	142.1
◆ Iberia	75.1	◆ St. Tammany	141
◆ Jefferson	111	◆ Terrebonne	92.3
◆ Lafayette	87.3	◆ Winn	83.9

Property Tax Calculation – Basic Example

- ◆ Subject Property: Single-Family Residential Home located in Baton Rouge, with Homestead Exemption
 - ◆ Fair Market Value: \$350,000
 - ◆ Assessment Level: 10%
 - ◆ Assessed Value: \$35,000
 - ◆ Less Homestead (\$7,500)
 - ◆ Taxable Value: \$27,500
 - ◆ Millages: 114.5
 - ◆ Property Taxes: \$3,148.75
 - ◆ *(*Municipal Taxes levied separately and not abated by the Homestead Exemption*)*

Property Taxes on Inventory

- ◆ Inventory is assessed as Personal Property
- ◆ Inventory is self-reported by Taxpayers to the Parish Tax Assessors
- ◆ Taxpayers self-report the value of inventories, which the Assessors use as the fair market value for assessment purposes
- ◆ Inventory is assessed at 15% as “other property”
- ◆ In Tax Year 2021, the Total Assessed Value of Inventories in Louisiana was \$3,636,209,632. The Total Fair Market Value was \$24,241,397,547.