



Louisiana

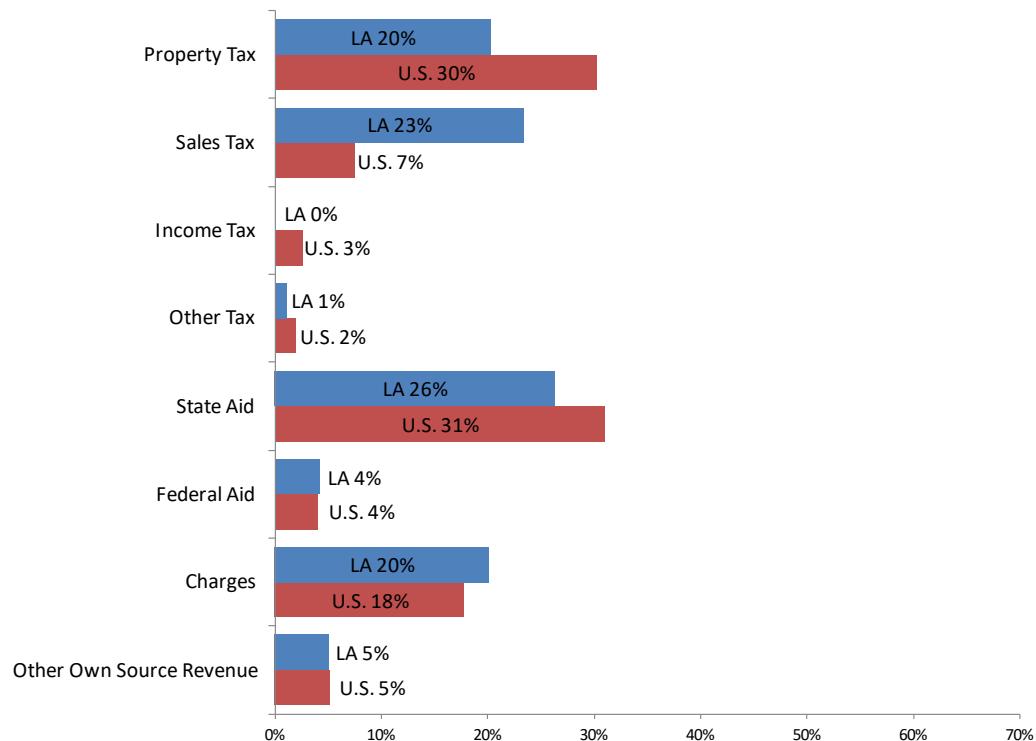
Highlights

Most property tax law in Louisiana is determined by the state constitution (Louisiana House of Representatives 2014). The constitutionally provided homestead exemption and the state's constitutional authority to provide industrial tax exemptions leave local governments with little ability to tailor the property tax to suit their needs.

Louisiana tax policy attempts to incentivize homeownership and manufacturing. This shifts the property tax burden to nonindustrial commercial properties. Moreover, local governments in Louisiana are more heavily reliant on sales taxes and less reliant on property taxes than national averages (figure LA-1).

Louisiana has a classified property tax system with five classes of property with different assessment ratios: land, residential improvements, commercial improvements, business personal property, and public service. Land and residential property are assessed at 10 percent of market value, public service properties are assessed at 25 percent, and electric cooperatives and all other property are assessed at 15 percent of market value (Louisiana Tax Commission).

Figure LA-1
Sources of Local General Revenue, Louisiana and U.S., 2018



Source: U.S. Census via Significant Features of the Property Tax

One more notable feature of the Louisiana property tax is that personal property is taxed, and in particular, commercial inventories are subject to property taxation. Only eight other states tax inventories. However, since 1992, the state has provided a refundable tax credit that can be applied to either corporate or personal income taxes to reimburse businesses for the full value of property taxes paid on inventories (Cammenga 2021).

Property Tax Reliance

In 2018, only 9.5 percent of combined state and local revenue in Louisiana was raised via the property tax (table LA-1). By all measures, the property tax burden in Louisiana is low relative to other states.

Table LA-1
Selected Louisiana Property Tax Statistics, 2018¹

	Louisiana	U.S. Average	Rank (of 51) 1 is highest
Per capita property tax	\$896	\$1,667	45
Property tax percentage of personal income	1.9%	3.1%	46
Total property tax as percentage of state-local revenue	9.5%	16.6%	47
Median owner-occupied home value ²	\$163,100	\$217,500	37
Median real estate taxes paid for owner-occupied home ²	\$890	\$2,471	48
Effective tax rate, median owner-occupied home ³	0.5%	1.1%	48

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2015-2019.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Assessments are conducted by Louisiana's 64 parishes, which are the equivalent of counties (table LA-2). With a few exceptions, such as property owned by utility companies, properties are appraised by the office of the assessor in each parish and taxes are collected by a separate office. Real property must be reappraised at least once every four years, and personal property is reassessed every year.

Property taxes are levied by parishes, cities, school districts, and special districts (such as levee districts), with each selecting its own rate. Local governments frequently have both general millages and millages dedicated to funding specific services. Which public services are funded with a dedicated millage and which are funded by parish or city general funds vary greatly across the state. In Orleans Parish, for

example, there are 16 different funds that are financed with a dedicated millage—including funds dedicated to the sewerage and water board, economic development, and the Audubon Aquarium and Zoo. Generally, the largest dedicated millage funds the local school district (Orleans Parish Assessor's Office).

The constitution allows the legislature to impose a 5.75 mill state property tax, but the state does not impose a property tax and has not done so since 1972.

Limits on Property Taxation

Louisiana places rate limits on municipal governments, parishes, and schools, but each limit can be overridden by a majority vote of the electorate. There is also a levy limit that applies after a reassessment, but this can be overridden after public notice, public hearings, and a supermajority vote of the government board.

Property Tax Relief and Incentives

There are two large exemptions from the property tax in Louisiana. A large homestead exemption covers the first \$7,500 of assessed value—that is, the first \$75,000 of market value—of owner-occupied residential property. Although the exemption is not extended to municipal taxes, it includes all parish taxes, taxes used for school districts, and general taxes for the combined city-parish government of New Orleans. As a result, many homeowners in Louisiana are fully exempt from parish and school taxes. The mechanics of the exemption make it progressive in that it shifts the burden from owners of smaller homes to owners of larger homes. However, it may also shift the burden from owner-occupiers to lessors and renters.

Another large exemption covers manufacturing property approved through the Industrial Tax Exemption Program (ITEP), which offers property tax abatement on new manufacturing investment (Louisiana Economic Development 2014). ITEP exempts up to 80 percent of approved manufacturing establishments and additions, including taxable capital equipment, but not the value of the land or the inventory, from property taxation for up to 10 years subject to local approval and job creation agreements (Louisiana Economic Development).

Louisiana also has tax increment financing (TIF) as an economic development tool, but in Louisiana TIFs are mostly sales tax rather than property tax based.

Table LA-2
Louisiana Property Tax Features, 2019

Feature	Louisiana	Count for 50 states plus DC
<u>Statewide classification of real property</u>	Yes	25
<u>Assessment of property primarily by county</u>	Yes	31
<u>Limits on property tax rates or levies</u>	Yes	45
<u>Limits on the rate of growth of assessed value</u>	No	18
<u>Circuit breaker property tax relief program</u>	No	34

Sources: Significant Features of the Property Tax

Key Property Tax History

Property taxes in Louisiana are regulated by the state constitution that was adopted in 1974. The constitution explicitly defines the homestead exemption and assessment rates and grants the state the ability to offer tax exemptions to new manufacturing property for up to 10 years.

The homestead exemption was introduced in 1934 and applied to the first \$2,000 of assessed value (Bureau of Governmental Research 2010). This amount was raised to \$3,000 with the passage of the 1974 state constitution and increased to \$7,500 in 1979 (Richardson and Albrecht 2014). Since the homestead exemption has not been altered since, it is worth substantially less in real terms today. In 1979, approximately 70 percent of owner-occupied homes paid no property tax, but that number fell to about 40 percent in 2013 (Richardson and Albrecht 2014).

Concurrent with the introduction of the homestead exemption, the state created the Property Tax Relief Fund to offset the revenue loss that the exemption would cause. In 1972, a federal court found that manipulation of assessments and millage rates leads to unequal distribution of relief funds. The Property Tax Relief Fund was then replaced with the Revenue Sharing Fund, which was allocated \$90 million annually by the 1974 constitution. At the time, this value more than compensated parishes for losses from the homestead exemption (Bureau of Governmental Research 2010). Although the homestead exemption has expanded, the relief fund has not been increased.

A group of parents and school districts filed complaints against the state in two separate cases in 1992. The courts consolidated these complaints into one case, *Charlet v. Legislature of the State of Louisiana*. The plaintiffs claimed that the state was not providing the constitutionally required minimum foundation of education to all children enrolled in public schools. To support this claim, they cited deficiencies in buildings, textbooks, teacher quality, curriculum, student achievement, and other areas.

While defending the funding system, Louisiana retained a nationally recognized education finance consultant to study the system. The consultant recommended formula changes in order to eliminate spending disparities. The revised formula, signed into law in 1992, distributed fewer state funds to high-wealth districts and more to low-wealth districts. The court concluded that the formula met its goal of reducing disparities. In 1998, the Court of Appeals granted the defendants' motion for a summary judgement in *Charlet v. Legislature of the State of Louisiana*. The court highlighted the constitution's use of the term "minimum" and concluded that the state was meeting constitutional obligations (SchoolFunding.Info 2019).

Louisiana adopted its first assessment limit in 2018 by ballot. Amendment 6 limits assessment increases of 50 percent or more following a reappraisal. The limit phases in assessment increases above the 50 percent threshold by 25 percent per year until the value is fully phased in. The threshold trigger is unique among states with phased assessment policies. The law shields properties subject to phased assessment from reappraisal during the phase-in period (Collins et al. 2019).

Recent Developments

In recent years, Louisiana has passed a series of ballot measures to expand eligibility for tax relief for military, first responders, and the elderly. First, in 2017, the state expanded the inventory tax credit to include rental centers and rental equipment used in certain industries. Also in 2017, voters approved a referendum (2017 Amendment 1) to exempt property delivered to a construction site from taxation until project completion. In 2017 and 2018, Louisiana expanded eligibility for industrial property tax incentives but reduced the exemption percentage from 100 percent to 80 percent. In 2018, voters approved Amendment 5, a constitutional amendment referred by the legislature, which expanded eligibility for property tax relief to qualifying taxpayers whose property is owned in trust (Collins et al. 2019). In 2020, Louisiana voters approved Amendment 6, a constitutional amendment to double the income limit for the special assessment for seniors, military, and disabled, from a base of \$50,000 (with annual inflation adjustments) to \$100,000 in 2026.

At the 2020 election, voters also approved a measure to account for oil or gas production when determining the market value of property (Amendment 2 of 2020). Voters failed to approve Amendment 5 of 2020 to allow manufacturing firms to negotiate with local governments to make payments to the taxing authority in lieu of property taxes.

Act 50 of 2020 extended the carryforward period for the inventory tax credit from 5 years to 10 years. This means businesses can apply unused inventory tax credits to future tax liability for up to 10 years.

Resources

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