

Louisiana

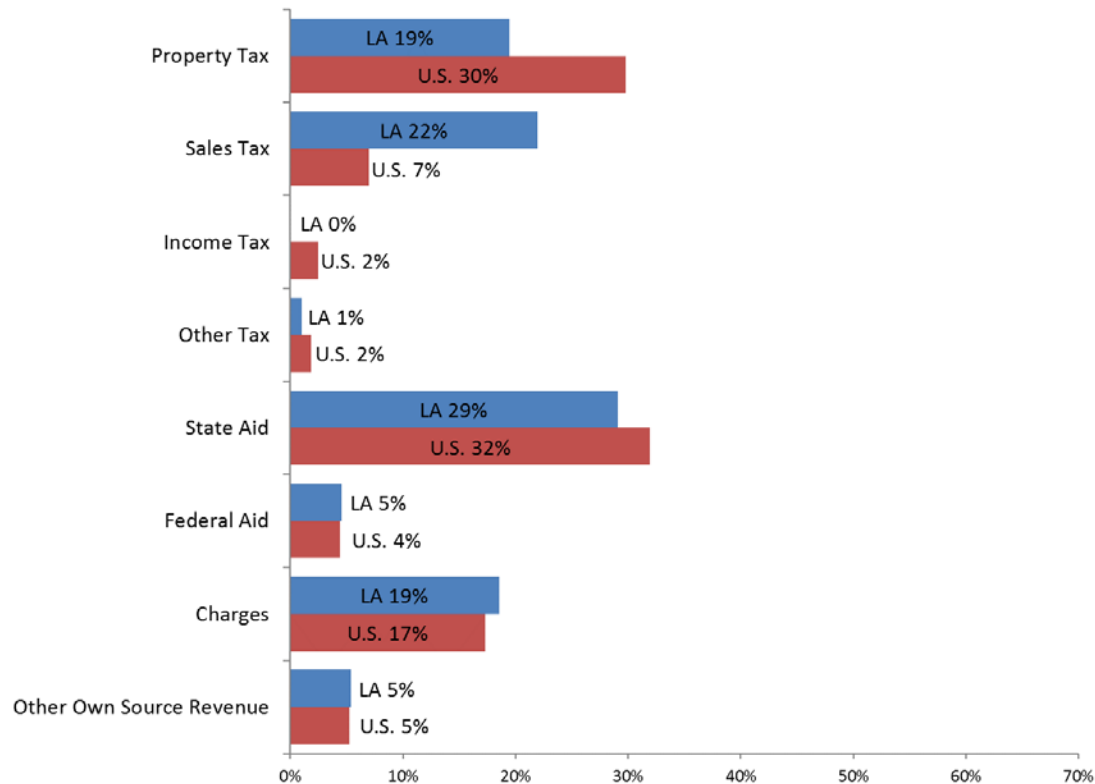
Highlights

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 5 classes of property with different assessment ratios. Land and residential property is 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.

Figure LA-1
Sources of Local General Revenue, Louisiana and U.S., 2014



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. 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 property taxes paid on inventories (Richardson & Albrecht 2014).

Property Tax Reliance

In 2013, only about 10 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 that of the rest of the United States.

Table LA-1
Selected Louisiana Property Tax Statistics, 2014¹

	Louisiana	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$839	\$1,464	44
Property tax percentage of personal income	2.0%	3.2%	44
Total property tax as percentage of state-local revenue	9.9%	16.9%	43
Median owner-occupied home value ²	\$144,100	\$178,600	34
Median real estate taxes paid for owner-occupied home ²	\$707	\$2,149	48
Effective tax rate, median owner-occupied home ³	0.5%	1.2%	49

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 2011-2015.

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 reassessed 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.

The constitution allows the legislature to impose a 5.75 mill state property tax, but no state property taxes are collected.

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. The effect is that one in five properties and about 40 percent of 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.

The second 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 approved manufacturing establishments and additions, including taxable capital equipment, but not the value of the land or the inventory, from property taxation. Between 2004 and 2013, \$67.4 billion in newly constructed real property qualified for the industrial tax exemption. This large savings is concentrated in the manufacturing sector, which makes up only 3.2 percent of businesses in Louisiana (U.S. Census Bureau 2012). For some manufacturers, the effective tax rate is nearly zero.

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
Property Tax Features of State Governments, United States, 2015

Feature	Louisiana	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	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 ten years.

The homestead exemption was introduced in 1934 and applied to the first \$2,000 of assessed value (Bureau of Governmental Research, December 2010). This amount was raised to \$3,000 with the passage of the 1974 state constitution and increased to \$7,500 in 1979 (Richardson & 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 has fallen to about 40 percent in 2013 (Richardson & 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, December 2010). Although the homestead exemption has expanded, the relief fund has not been increased.

Recent Developments

In October 2015, voters approved Amendment 4 to the Louisiana constitution to allow its local governments to collect property tax on property held by an out-of-state government (Farmer 2015).

A high-level transition committee for Governor-Elect John Bel Edwards made several recommendations regarding the property tax. Among them was the suggestion that the homestead exemption be modified so that every homeowner would pay some property tax. The committee further recommended amending the industrial property tax exemption to give local governments some input into the decision regarding whether to grant the exemption, shorten the maximum length of the exemption from ten to seven years, and reduce the percentage of the exemption from 100 percent to 80 percent (Onward Louisiana 2016). In October 2016, an executive order of the governor required local approval for such tax exemptions and shortened their maximum length (Good Jobs First 2016).

Resources

Bureau of Governmental Research. 2010. *Forgotten Promises: The Lost Connection Between the Homestead Exemption and the Revenue Sharing Fund*. New Orleans, LA: BGR. (December).

www.bgr.org/files/reports/forgotten_promises.pdf

Farmer, Liz. 2015. "In Louisiana, Voters Want Other Governments to Pay Up." *Governing*. (October 27).

www.governing.com/topics/finance/gov-louisiana-property-tax-out-of-state-governments-2015-election-ballot.html

Good Jobs First. 2016. "Louisiana's Notorious Industrial Tax Exemption Program Reformed."

www.goodjobsfirst.org/blog/louisiana%E2%80%99s-notorious-industrial-tax-exemption-program-reformed.

Louisiana Administrative Code. Title 13, Part I, Chapter 5, and Article 7, Sections 18–21, 23, 24, 26.

Louisiana Economic Development. 2014. "Industrial Tax Exemption."

www.opportunitylouisiana.com/page/industrial-tax-exemption

Louisiana House of Representatives. 2014. "Louisiana Property Tax Basics." (September).

Louisiana Tax Commission. 2016. *Annual Report*. Baton Rouge, LA.

www.latax.state.la.us/Menu_AnnualReports/UploadedFiles/2016%20LOUISIANA%20TAX%20COMMISSION%20ANNUAL%20REPORT.pdf

Onward Louisiana. 2016 Report of Transition Committee on Fiscal Matters. Transition Advisory Team. Governor-Elect John Bel Edwards. (January 14).

http://gov.louisiana.gov/assets/docs/TransitionTeam/Final-Report_Committee-on-Fiscal-Matters.pdf

Richardson, J. A., & G.V. Albrecht. 2014. *The Louisiana Fiscal Structure*.

Significant Features of the Property Tax. <http://datatoolkits.lincolninst.edu/subcenters/significant-features-property-tax/>. Lincoln Institute of Land Policy and George Washington Institute of Public Policy.

U.S. Census Bureau. 2012. *County Business Patterns*. <https://www.census.gov/programs-surveys/cbp.html>

Author

Daniel Teles, Department of Economics, Tulane University

Publication Date

February 2018