

Louisiana

Highlights

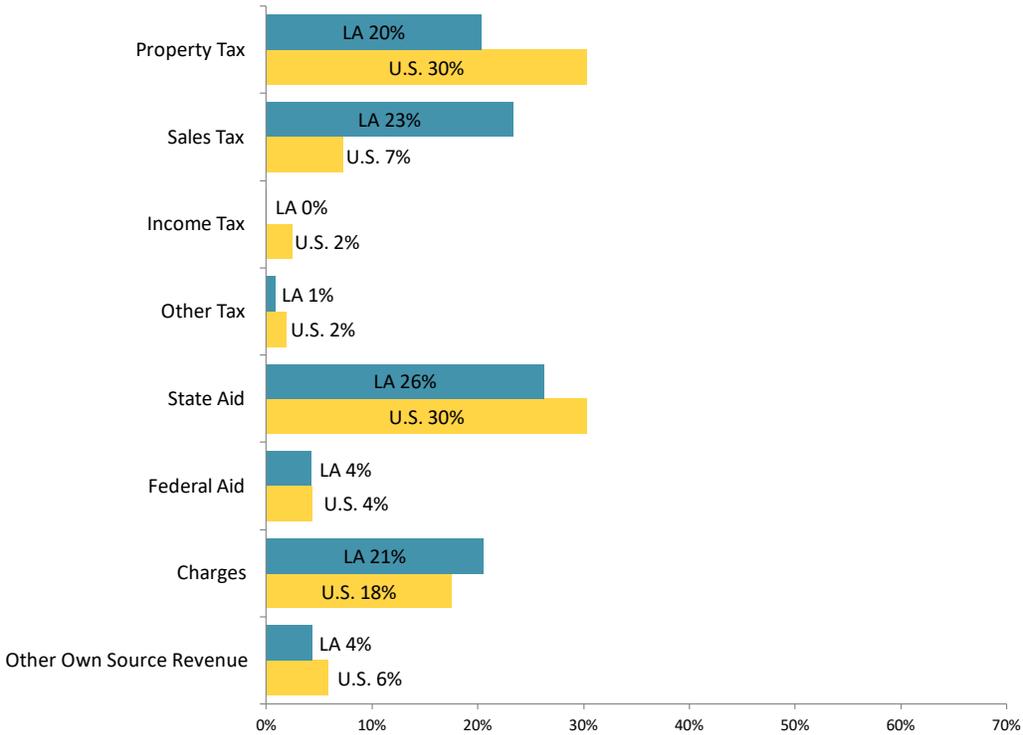
Most property tax law in Louisiana is determined by the state constitution (Louisiana House of Representatives 2014). The constitutionally provided homestead exemption and the state's constitutional authority to provide industrial tax exemptions leave local governments with little ability to tailor the 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 is the only state that relies more heavily on local sales taxes than the local property tax to fund K-12 education (Kenyon, Paquin, and Reschovsky 2022).

Louisiana has a classified property tax system with five classes of property with different assessment ratios: land, residential improvements, electric cooperative improvements, public service, and other property. 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).

One more notable feature of the Louisiana property tax is that commercial inventories are subject to property taxation. Only eight other states fully tax inventories (Fritz and Walczak 2023, 74). 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).

Figure LA-1
Sources of Local General Revenue, Louisiana and U.S., 2020



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

Property Tax Reliance

In 2020, only 8.9 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, 2020¹

	Louisiana	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$914	\$1,810	45
Property tax percentage of personal income	1.8%	3.1%	47
Total property tax as percentage of state-local revenue	8.9%	16.6%	47
Median owner-occupied home value ²	\$168,100	\$229,800	38
Median real estate taxes paid for owner-occupied home ²	\$926	\$2,551	48
Effective tax rate, median owner-occupied home ³	0.6%	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 2016–2020.

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 14 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 2023).

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 (Significant Features of the Property Tax).

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. A maximum authorized levy applies after a

reassessment and restricts the levy to the amount raised in the prior year, but this levy limit can be overridden after public notice, public hearings, and a supermajority vote of the government board (Significant Feature of the Property Tax).

Property Tax Relief and Incentives

Louisiana's largest property tax relief program is a homestead exemption that 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.

Seniors, disabled homeowners, and certain veterans may qualify for an assessment freeze (called a special assessment) for their primary residence. Claimants must qualify for the homestead exemption and have a household adjusted gross income of \$100,000 or less. Surviving spouses of military members or first responders killed in action qualify for property tax exemption. Louisiana also authorizes local governments to provide optional exemptions for heads of households and disabled veterans (Significant Features of the Property Tax).

Louisiana offers a few property tax incentives for economic development. The largest incentive covers manufacturing property approved through the Industrial Tax Exemption Program (ITEP), which offers property tax abatement on new manufacturing investment (Louisiana Economic Development). 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 (initial term of five years) subject to local approval and job creation agreements (Louisiana Economic Development). Louisiana's local option Restoration Tax Abatement (RTA) program allows local governments to freeze assessed values for qualifying restoration projects in designated districts for up to five years.

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 (Significant Features of the Property Tax).

Table LA-2
Louisiana Property Tax Features, 2020

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	17
Circuit breaker property tax relief program	No	31

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).

In 2016, Louisiana Governor John Bel Edwards reformed the state's largest property tax incentive program—the Industrial Tax Exemption Program (ITEP)—via a pair of executive orders. The orders required job creation agreements, local government approval, and advanced notification (before project completion); and reduced the initial term of the benefit to five years as well as the maximum abatement percentage from 100 percent to 80 percent (or 93 percent for mega projects). Previously, the state had the authority to award full abatement of local property taxes for up to 10 years without local input (Executive Order No. JBE 2016-26; Executive Order Number JBE 2016-73).

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 2022, Louisiana voters approved two ballot measures related to property taxation. Amendment 2 expanded the local-option property tax exemption for 100 percent disabled veterans and added exemptions for partially disabled veterans. After adjusting for Louisiana's 10 percent residential assessment ratio, disabled veterans receiving the standard homestead exemption and the veterans exemption will have property taxes eliminated on at least \$100,000 of market value and 100 percent disabled veterans will be fully exempt. Amendment 8 of 2022 eliminated the requirement for disabled homeowners who benefit from the assessment freeze to recertify their income annually (Skinner 2023).

In June 2023, Governor John Bel Edwards signed into law House Bill 597. The law authorizes the Louisiana Legislative Auditor to establish and maintain the State Transparency Portal (Portal), which will replace the current Louisiana Transparency and Accountability website, adding new data including local government finance and tax incentives. The law also creates the Louisiana Transparency Fund to pay for the development and maintenance of the Portal. Like the current website, the new Portal aims to make Louisiana state's government finances and operations transparent and accountable to Louisiana residents and will gradually expand the data available. The provisions of this law become effective in December 2024.

In the fall of 2023, Louisiana voters will weigh in on two constitutional amendments related to property taxation. The first, referred by House Bill 46 of 2023, would deny property tax exemptions for property owned by exempt nonprofits that is deemed to pose a threat to public health and safety. The second would authorize parishes to provide a property tax exemption of up to \$2,500 (\$25,000 market value) for first responders on top of the homestead exemption. The legislature overwhelmingly supported Senate Bill 127 to refer the amendment to the ballot.

Two recent analyses of Louisiana’s Industrial Tax Exemption Program suggest the 2016 ITEP reforms have reduced the cost of the program to local governments. The Louisiana Legislative Auditor found that the parishes that abate the most property tax revenue under the program have higher overall property tax revenue. The 25 parishes with the most foregone revenue per capita raise 48 percent more property tax revenue per capita than the other parishes (\$1,458 per capita versus \$983). Manufacturers who received abatements paid about \$396 per capita in property taxes on their non-exempt property (Louisiana Legislative Auditor 2022). A separate study by the Institute for Energy Economics and Financial Analysis found the 2016 reforms added \$16 billion in property value back to the tax base, saving parishes \$282 million between 2016 and 2021, almost all attributable the governor’s reforms with the savings concentrated in parishes with a large share of manufacturing property. The share of non-exempt manufacturing property grew from 37 percent in 2016 to 50 percent in 2021 and the number of abatement applications fell from 590 per year pre-reforms to 65 per year on average since (Sanzillo 2022).

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