

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **SB 4** SLS 082ES 6  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 11, 2008 8:22 AM	<b>Author:</b> ALARIO
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Tax Credit For Homeowner Property Taxes	

TAX/INCOME/PERSONAL OR -\$58,000,000 GF RV See Note Page 1 of 1  
 Provides for a refundable individual income tax credit for 25% of the amount of ad valorem taxes paid by a homeowner who claims the homestead exemption, not in excess of \$250.00 per tax year. (1/1/09)

Provides a refundable tax credit, against individual income tax, for 25% of the amount of ad valorem taxes paid by a homeowner who claims the homestead exemption, but not to exceed \$250.

Effective for all taxable periods beginning on or after January 1, 2009.

<b>EXPENDITURES</b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>5 -YEAR TOTAL</u></b>
State Gen. Fd.	\$0	\$123,000	\$62,000	\$64,000	\$66,000	<b>\$315,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$123,000</b>	<b>\$62,000</b>	<b>\$64,000</b>	<b>\$66,000</b>	<b>\$315,000</b>

  

<b>REVENUES</b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>5 -YEAR TOTAL</u></b>
State Gen. Fd.	\$0	(\$58,000,000)	(\$58,000,000)	(\$58,000,000)	(\$58,000,000)	<b>(\$232,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>	<b>(\$58,000,000)</b>	<b>(\$58,000,000)</b>	<b>(\$58,000,000)</b>	<b>(\$58,000,000)</b>	<b>(\$232,000,000)</b>

**EXPENDITURE EXPLANATION**

Given the large number of claims for this credit expected (over 500,000), the Department of Revenue indicates the need for an additional position to verify claims and process returns while insuring timely processing of all other returns. Costs in FY10 are for nine months of salary plus one-time system modifications and setup costs. FY11 and beyond annualize the personnel cost and grow by 4% per year.

**REVENUE EXPLANATION**

The discussion below repeats analysis done on a similar bill in the 2007 regular session. That analysis relied on the latest available data at the time from the LA Tax Commission. That data is still the most current available.

To estimate the potential revenue loss associated with this credit, before any limitation on the amount of credit available to a taxpayer, 2005 assessed values of land and residential improvements subject to homestead exemption were summed from the Louisiana Tax Commission's Thirty-Second Biennial Report for 2004-2005. These assessed values totaled \$9.188 billion. From that was subtracted the assessed value of the homestead exemption, some \$5.998 billion. The remaining value, \$3.190 billion, is subject to ad valorem millages averaging 113.1 mills statewide. This results in estimated property taxes associated with these properties of \$360.8 million. A 25% refundable tax credit based on those taxes would reduce state tax collections by \$90.2 million.

With a \$250 limit on the amount of credit available to each taxpayer, the loss to state revenues should be materially reduced. Only a rough estimate of that reduced affect can be made though because the available data only allows parish-wide averages to be evaluated, and broad averages will mask the true effect that is experienced at the individual taxpayer level. The parish-wide data from a number of parishes in metro areas was looked at to estimate the average property tax payments made by homes that were not 100% exempt from taxation. The method described above was used at the parish level to generate the total property tax payments made by those homes. This was divided by the number of homes not 100% exempt in each parish. Then 25% of that average reflects the average gross credit available. That was compared to the \$250 limit, with any excess multiplied by the home count to arrive at an estimate of the fiscal cost reduction associated with the \$250 limit. In seven of the ten parishes examined there was no reduction at all, on average, and only in one of the remaining three parishes examined was the reduction material {49% lower (\$14.8 million) with the limit, with the other two parishes exhibiting only 2% and 5% reductions}. It seems likely that, based only on averages, the total state revenue loss might be \$20 million lower with the \$250 limit, although a single large parish suggests it could as much as \$45 million lower. The midpoint of these two reduction estimates is taken as an estimate of the effect of the \$250 limit on the gross state revenue loss, reducing that gross loss to approximately \$58 million. Being first effective for the 2009 tax year means FY10 will be the first fiscal year with a material effect on state revenues.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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