

# LOUISIANA PROPERTY TAX BASICS

## What do property taxes support in Louisiana?

- ◆ **Property taxes support local government.**

Property tax is a major funding source for local governments ("political subdivisions"). Given its importance to the provision of services such as police protection and K-12 education, as well as the construction of public projects such as water systems and roads, virtually all substantive property tax policy is established in the Louisiana constitution. Constitutional protection means that most changes to property tax policy require both a super-majority vote of the legislature, as well as approval by the voters at a statewide election.

## What political subdivisions impose property taxes?

- ◆ **Louisiana's constitution authorizes the levy of property taxes by parishes, municipalities, levee districts, and other political subdivisions as may be provided by law.**

Property tax is levied by a political subdivision (also referred to as "taxing authority") upon taxable property located within its jurisdictional boundaries. Property located within a city, for example, will be subject to property taxes levied by several different political subdivisions: the parish, the school board, the city, and possibly other special districts.

## What property is subject to tax?

- ◆ **There are two classes of property subject to property tax, real property and personal property.**

Real property includes land, buildings and other improvements to land, and mobile homes. Personal property includes movable items such as machinery, fixtures, and furnishings. Household goods, vehicles licensed to operate on highways, and personal effects are not subject to property tax.

## How is a property tax calculated?

- ◆ **The amount of property tax levied upon a specific property is determined by multiplying the *millage rate* by the *assessed value* of the property.**

The assessed value of a property is determined by the parish assessor or the Louisiana Tax Commission in accordance with requirements and procedures established in the Louisiana constitution, law, and as prescribed by the Louisiana Tax Commission. The millage rate is established by local ordinance after approval

of the local electorate.

## **What is the Louisiana Tax Commission?**

- ◆ **The Louisiana Tax Commission is a state agency vested with broad authority for the administration and enforcement of Louisiana constitutional and legal requirements governing property taxes and assessments.**

The commission is composed of five members appointed by the governor from the state public service commission districts. In addition to reviewing and accepting assessment lists from each parish, with the authority to reject or order individual changes, the commission devises and issues forms, rules, and regulations related to property tax implementation and the duties and responsibilities of assessors.

## **How is a property's value determined?**

- ◆ **An assessment ratio is used to value a piece of property. The ratio will differ depending upon the type of property.**

The Louisiana constitution provides that property shall be valued on the basis of either fair market price or use value. Also provided are the specific assessment ratios (percentages) of value upon which assessments shall be based.

The following types of property are assessed at a percentage of *fair market* value: residential 10%, commercial 15%, and public service 25%. Examples of public service properties include those of railroads, airlines, pipelines, utilities, etc. Fair market value is the price that would be agreed upon by a willing and informed buyer and seller.

Agricultural, horticultural, marsh, and timber lands are assessed at 15% of *use* value. Use value is determined by the productivity of the land. The Louisiana Tax Commission provides assessors with a per acre assessed value to use in the assessment of lands taxed based upon use value. These amounts range from less than \$50 per acre for salt water marsh to several hundred dollars per acre for high production timber land. For property to qualify as agricultural, horticultural, or timber land, the property must be at least three acres in size or have produced an average gross annual income of \$2,000 or more for the preceding four years.

## **Who determines a property's value?**

- ◆ **Property value is assessed by the parish assessors and the Louisiana Tax Commission.**

The parish assessor will assesses all property within the parish, except for public service properties, the assessed values of which are determined by the Louisiana Tax Commission. The assessment process involves first a determination of the fair market or use value of the property, to which the appropriate assessment percentage

is then applied to yield an assessed value. While a statewide reassessment is required at least every four years, a property may be reassessed at any time. The most recent statewide reassessment took effect in the 2012 tax year. Reassessments usually result in changes in the amount of tax levied upon a property.

## **How does a property owner know what assessed value has been placed on their property?**

- ◆ **The parish assessor provides notice to property owners regarding their assessment, and also opens the tax rolls each summer for public inspection.**

An assessor *may* notify property owners of their assessments at any time he deems appropriate. However, the assessor is *required* to send written notice to property owners relative to the amount of their assessment under three scenarios: after a statewide reassessment, if the assessed value increases by 15% or more from that of the previous year, and if the taxpayer has requested notification in accordance with law.

Assessors are required to annually expose the current year's parish assessment list (also known as the "tax roll") for public inspection. This involves the posting of a newspaper ad publicizing the time period for inspection. This is the time for a taxpayer to check their assessment and discuss any concerns they may have regarding same with the assessor. Appeals are usually initiated at this stage. In all parishes other than Orleans, the inspection period occurs between August 15<sup>th</sup> and September 15<sup>th</sup> during any 15 day period. In Orleans Parish, the inspection period lasts 32 days, from July 15<sup>th</sup> and August 15<sup>th</sup>.

## **Can an assessed value be appealed?**

- ◆ **A property owner may appeal the assessed valuation of their property.**

If the taxpayer and the assessor disagree over a property's assessed value, the taxpayer may appeal to the local Board of Review for review of the valuation. The board will consider the appeal and determine whether any changes should be made to the assessed value in question. If the taxpayer, the assessor, or the respective taxing authority is dissatisfied with a ruling of the board, they may appeal to the Louisiana Tax Commission for resolution of the dispute. There are specific deadlines and requirements for the filing of appeals. Given this, a taxpayer considering undertaking an appeal should consult the assessor, the Board of Review, and the Louisiana Tax Commission relative to specific requirements for appeals.

## **When are property taxes due?**

- ◆ **Taxes are due on December 31<sup>st</sup>.**

Each December the tax collector for each parish sends property owners a tax bill

enumerating the various millages levied and amounts of tax due for each. Taxes are due and payable by December 31<sup>st</sup>, after which time unpaid amounts bear interest at 1% per month until paid. If the taxes remain unpaid, the taxable property will be sold by the tax collector at a tax sale. In the case of immovable property which has been sold at tax sale, the tax debtor has three years within which to redeem the property.

## **How are tax rates, or millage rates, established?**

- ◆ **Tax rates are established through general constitutional authority and authorizations for specific local tax levies granted by local voters.**

The millage rate is the tax rate applied in the calculation of the imposition of a specific property tax. The millage is based on an archaic monetary unit called a "mil". Millage rates are not expressed as percentages, but instead as thousandths of a dollar.

1 mill = \$0.001 or 1/1,000 of \$1

Example: A millage rate of 20 mills (a 20 mill tax) would result in a tax of \$20 for every \$1,000 in assessed value.

When a property tax proposition is put before the voters, it will be for a certain millage amount for a certain period of time. Louisiana's constitution specifically authorizes the imposition of a limited base amount of property tax millage which may be levied for general purposes by a parish, a municipality, or certain levee districts without voter approval. Any taxes over and above the base amount require approval by the local electorate. As well, impositions of property taxes by all political subdivisions require approval of the local electorate.

- ◆ **Millage rates usually change over time.**

Millage rates may change for several reasons: authorizations for new or additional millages, changes necessary to generate adequate revenue for debt service, and mandatory automatic adjustments of millage rates after a statewide reassessment. This last scenario is one that is often especially of interest to taxpayers. The Louisiana constitution mandates that taxes collected in the year after a statewide reassessment shall neither increase nor decrease because of the change in the value of the tax base. To accomplish this, millage rates are automatically either increased or decreased to accommodate the change in the tax base. Further, in the case where an increase in tax base value causes a reduction or "roll back" of a particular millage rate, the constitution authorizes the taxing authority levying the tax the option to collect the additional revenues that could be gained from such change in the tax base by reinstating all or a portion of the millage rate imposed prior to the "roll back". This is commonly referred to as a "roll forward". This may be accomplished by a super-majority vote of the governing authority of the taxing authority occurring at a heavily advertised public hearing. There is no voter approval required. For a political subdivision headed by a single local elected official, such as a sheriff, assessor, or coroner, the decision to roll forward is made individually by that official.

## **What types of exemptions or other special tax treatment are available for payers of property taxes?**

- ◆ **The homestead exemption provides shelter for a portion of the value of an individual's residence.**

The homestead exemption applies to all property taxes levied by all political subdivisions other than municipalities, except for Orleans Parish. The homestead exemption applies to municipal property taxes levied in Orleans Parish.

The amount of the homestead exemption is \$7,500 of a homestead's assessed value (\$75,000 of fair market value). The exemption may be claimed for a parcel of land of up to 160 acres upon which is located an owner occupied residence. The exemption may also be claimed on a homestead occupied by a usufructary or beneficiary of a trust.

In parishes in which the voters have elected to adopt the policy, the amount of the homestead exemption is doubled to \$15,000 of a home's assessed value (\$150,000 of market value) for property owned and occupied by a military veteran having a service-related disability rating of 100% as determined by the U.S. Department of Veterans Affairs, or by their surviving spouse.

- ◆ **The "special assessment level" is authorization to freeze the amount of assessed value for property owned and occupied by certain persons who are elderly or have a disability, and who also have an income below a certain threshold.**

A property receiving the special assessment level will have an assessed value which is frozen at the same amount of assessed value as was applicable in the first year in which the property received the special assessment level. Eligibility for the special assessment level requires that the property must be both eligible for the homestead exemption and be owned and occupied by a person meeting both of the following qualifications:

- 1) The owner's adjusted gross income from their most recent federal income tax return is less than \$50,000 as such amount is adjusted annually by the Consumer Price Index. For 2014 (2015 for Orleans Parish) the income limit is \$70,484.  
  
and
- 2) Any of the following applies to the property which is owned and occupied by:
  - a) A person who is at least 65 years old.
  - b) A person with a military service-related disability of at least 50%.
  - c) A person with a disability rating of 100%.

- c) Formerly, a member of the armed forces who was killed or is missing in action, or who is a prisoner of war.

◆ **Louisiana's constitution also provides for a wide variety of very specific exemptions from property tax.**

These include, but are not limited to, exemptions benefitting the following interests: disabled veterans, nonprofit corporations, charitable clubs, labor organizations, trade associations, agricultural businesses, maritime industries, electricity producers, the arts, import and export, motor vehicle, manufacturing, distribution centers, and offshore mineral exploration.