

Regular Session, 2014

HOUSE BILL NO. 420

BY REPRESENTATIVE PEARSON

TAX/AD VALOREM TAX: Establishes criteria for valuation of low-income housing property for purposes of assessment of ad valorem taxes

1 AN ACT

2 To amend and reenact R.S. 47:2323(C)(3) and to enact R.S. 47:2323(E), relative to ad  
3 valorem taxation; to provide with respect to the valuation of low-income housing  
4 property for purposes of assessment; to require the use of certain criteria in the  
5 determination of fair market value; to provide for effectiveness; and to provide for  
6 related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:2323(C)(3) is hereby amended and reenacted and R.S. 47:2323(E)  
9 is hereby enacted to read as follows:

10 §2323. Criteria for determining fair market value; real and personal property;  
11 unoccupied residential immovable property

12 \* \* \*

13 C. Criteria.

14 The fair market value of real and personal property shall be determined by  
15 the following generally recognized appraisal procedures: the market approach, the  
16 cost approach, and/or the income approach.

17 \* \* \*

18 (3) In utilizing the income approach, the assessor shall use an appraisal  
19 technique in which the anticipated net income is ~~processed~~ capitalized to indicate the  
20 capital amount of the investment which produces the net income.

21 \* \* \*

1           E. All benefits and burdens of ownership shall be reflected in the  
2           calculation of anticipated net income for purposes of determining the fair market  
3           value of low-income housing property. Benefits shall include but not be limited to  
4           any of the following: federal income tax credits available under Section 42 of the  
5           Internal Revenue Code; below market interest rate on financing obtained under the  
6           Homes Investment Partnership Program under the Cranston-Gonzales National  
7           Affordable Housing Act or the Federal Home Loan Bank Affordable Housing  
8           Program established pursuant to the Financial Institution Reform, Recovery and  
9           Enforcement Act of 1989; any other federal, state, or similar program intended to  
10           provide affordable housing to persons of low or moderate income and requiring  
11           restricted occupancy and rental rates based on the income of the persons occupying  
12           such housing.

13           Section 2. This Act shall become effective on January 1, 2015.

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DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

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Pearson

HB No. 420

**Abstract:** Requires that all benefits and burdens of ownership of certain low-income housing property be included in the calculation of anticipated net income used in the valuation of such property for purposes of ad valorem tax assessment.

Present constitution requires the assessment of property for purposes of ad valorem taxation. The assessed value of a property is based on a percentage of the property's fair market value.

Present law requires that uniform criteria be used by assessors in the determination of fair market value for real and personal property. Fair market value is determined by using the following generally recognized appraisal procedures: the market approach, the cost approach, and/or the income approach.

Present law requires that in using the income approach, an assessor shall use an appraisal technique in which the anticipated net income is processed to indicate the capital amount of the investment which produces the net income.

Proposed law retains present law but specifies that the anticipated net income is "capitalized" rather than "processed".

Proposed law requires that all benefits and burdens of ownership be reflected in the calculation of anticipated net income for purposes of determining the value of low-income housing property. Benefits shall include federal income tax credits available under federal law; below market interest rate on financing obtained under the Homes Investment

Partnership Program under the Cranston-Gonzales National Affordable Housing Act or the Federal Home Loan Bank Affordable Housing Program established pursuant to federal law; or, any other federal, state, or similar program intended to provide low-income housing with restricted occupancy and rental rates.

Effective Jan. 1, 2015.

(Amends R.S. 47:2323(C)(3); Adds R.S. 47:2323(E))