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BGR MEDIA RELEASE

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BGR Looks at Impact of Homestead Exemption Proposals on Taxpayers in the N.O. Area

The Bureau of Governmental Research today releases *Who's Behind the Tree? The Homestead Exemption and Taxpayers in the New Orleans Area*. In the report, BGR examines a proposal to more than double the amount of the homestead exemption and its impact on taxpayers in Jefferson, Orleans, St. Bernard and St. Tammany parishes. The report is available on BGR's web site, www.bgr.org.

Currently, 246,000 homeowners in Jefferson, Orleans, St. Bernard and St. Tammany parishes take the homestead exemption. Approximately 26% of them have homes valued by the assessors at no more than \$75,000. These homeowners pay no taxes other than those for police and fire protection in New Orleans, and municipal taxes in the municipalities within Jefferson and St. Tammany parishes. Were the proposed increase in the homestead exemption to become reality, 67% of homeowners in the four parishes would be off the hook for property taxes.

If the homestead increase is revenue neutral, as proponents suggest, the foregone taxes will be passed on to other taxpayers through millage rate increases. These will vary from jurisdiction to jurisdiction, depending on what portion of the tax base is composed of owner-occupied properties valued above \$75,000.

To illustrate the potential impact, BGR has prepared estimates of those increases in parts of Orleans, Jefferson, St. Bernard and St. Tammany parishes.

The impact would be smallest in St. Bernard, where BGR estimates that the total millage rates would rise only 4%. This is because owner-occupied properties valued above \$75,000 account for a relatively small portion of the parish's property tax base.

BGR estimates that the total millage rate on the east bank of Orleans Parish would rise from 130.10 mills to 141.12 mills, or 8%, in a revenue-neutral

scenario. On the west bank, the millage rate would rise from 128.43 mills to 141.23 mills, or 10%.

In Jefferson Parish, BGR estimates that the millage rate for parishwide taxes would rise from 47.96 mills to 56.17 mills, or 17%. Parishwide taxes include levies for general government, the Jefferson Parish Sheriff's Office and the Jefferson Parish School Board. The increases for Jefferson's special taxing districts would vary widely, depending on the district's location and size of its tax base.

Millage rate increases would be more pronounced in St. Tammany Parish, where homesteads valued at more than \$75,000 constitute a significant portion of the property tax base. In St. Tammany, the total millage rate for parishwide taxes and taxes for large special districts would rise between 30% and 41%, depending on location. Property owners in many areas would see their total rates surge above 200 mills for these taxes alone.

Raising the homestead exemption would affect taxpayers differently, depending on their eligibility for the exemption and the value of their property. While the increase may provide a "free ride" for some, other citizens will pay the price.

The proposed increase in the homestead exemption from \$75,000 to \$160,000 would result in property tax reductions for many homeowners and tax increases for all non-exempt residential and commercial property owners. The extent of those impacts would vary by parish. In Orleans, where a relatively modest millage rate increase would occur, a \$160,000 exemption would give owners of homes valued as high as \$1.1 million a lower tax bill. However, in the unincorporated Mandeville area of St. Tammany, which accounts for more than 20% of the parish's taxable assessed value, the benefit of the exemption would evaporate for owners of homes valued at more than \$400,000. Owners of higher-valued homes, residential rental property and commercial property (and, indirectly, tenants) would shoulder the burden of higher taxes.

One of the fundamental principles of taxation is that it should be effective and fair. The proposed increase is neither. It would exacerbate existing inequities and undermine efforts to retain and create jobs. Commercial properties, which are already taxed at a 50% higher rate than residential properties, and rental properties would bear the brunt of the break.

BGR opposes any expansion of the homestead exemption.

"Any proposal that makes it more expensive to do business and increases rents is clearly a step in the wrong direction," said BGR Chairman Hans B. Jonassen. "There's no free lunch when it comes to taxation."

BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information call 525-4152 or visit BGR's web site, www.bgr.org.