



ON THE BALLOT

A Report from the Bureau
of Governmental Research

TAX PHASE-IN CONSTITUTIONAL AMENDMENT, NOVEMBER 6, 2018

IN BRIEF

Voters statewide will decide whether to approve Constitutional Amendment No. 6 that would allow eligible homeowners to phase in an increase in property taxes resulting from a reappraisal. The four-year phase-in process would apply only to residential properties subject to the homestead exemption that increase in assessed value by more than 50% because of a reappraisal.

During the phase-in process, homeowners would pay taxes based on the assessed value prior to reappraisal, plus a portion of the increase in assessed value. That portion would begin at 25% in Year 1 and increase to 50% in Year 2, 75% in Year 3 and the full assessed value in Year 4.

The amendment prohibits the phase-in process from applying to an assessment increase attributable to construction or improvements. Also, if an owner sells or transfers an eligible property during the phase-in period, the phase-in process would terminate.

Key Background and Findings

- The proposed amendment emerged from a group of New Orleans neighborhood associations representing areas that have witnessed significant price appreciation. It is not based on an analysis of actual need or optimal solutions for property tax relief.
- BGR evaluated whether the constitutional amendment is necessary. The amendment seeks to help long-term residents avoid being priced out of their homes and neighborhoods due to an immediate, significant increase in property taxes they cannot afford. It would provide eligible homeowners with more time to make important decisions, and reduce an owner's risk of losing a property in a tax sale due to failure to pay taxes. However, some critics argue it will be more likely for properties to qualify for the phase-in because they were significantly underassessed prior to a reappraisal, than because a rising real estate market increased their property's value.
- BGR analyzed how the amendment would affect citizens. Supporters note that the amendment's eligibility requirements limit the potential number of property owners who could qualify for the phase-in. However, neither supporters of the amendment nor assessors contacted by BGR could estimate the number of properties that might qualify for the phase-in process. Critics say the arbitrary 50% eligibility threshold could result in different treatment for taxpayers facing similarly sized tax increases. For instance, a homeowner facing a 49% increase in assessed value would not benefit, while one with a 51% increase would.
- BGR also analyzed how the amendment would affect local government. While the amendment may not significantly affect local government revenue or assessment practices, it would place new administrative burdens on parish and municipal tax collectors without uniform guidance. Critics see potential for inconsistent and uneven administration, as well as an increased risk of mistakes and potential misuse of the mechanism. The amendment would also require increased communication and coordination between tax collectors and assessors as the eligibility requirements are based on areas of expertise that have fallen under the purview of an assessor.
- Finally, BGR analyzed whether the constitution is the proper vehicle for achieving the desired outcomes. A constitutional amendment is necessary to change the calculation of ad valorem taxes, but supporters and critics disagree on the level of detail that the proposed amendment contains. Supporters say the proposed amendment appropriately gives certainty to the phase-in process. Critics note that if any part of the amendment needs to be modified or eliminated in the future, voters statewide will need to approve another constitutional amendment.

BGR Position

AGAINST. The proposed amendment is well-intentioned with its purpose of addressing financial hardships resulting from escalating property taxes. However, supporters of the amendment could not quantify the extent of any existing problem or estimate how many homeowners the amendment might assist. The basic eligibility threshold of an assessment increase exceeding 50% appears arbitrary and not tailored to address the problem of financial hardship the amendment is trying to solve.

The amendment would also create a number of issues. It would create unfairness between eligible and ineligible homeowners, particularly for those homeowners whose assessment increases are near, but do not exceed, the amendment's threshold. Further, the amendment would place a significant administrative burden on parish and municipal tax collectors without providing uniform guidance. This creates a risk of inconsistent and uneven administration within a parish and throughout the state, or worse, a risk of misuse of the mechanism.

The extent of the impact of escalating property taxes on homeowners should be better defined and analyzed. Given the amendment's flaws, it should not make its way into the State constitution, where any modifications would require another constitutional amendment. Before pursuing other attempts at property tax relief, the Legislature should assess the extent of taxpayer need and match it to a precise solution that is fair and effective. Additionally, the Legislature should establish consistent standards for transparent implementation by parish assessors and local tax collectors.