

NEW ORLEANS
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From Answers to Action

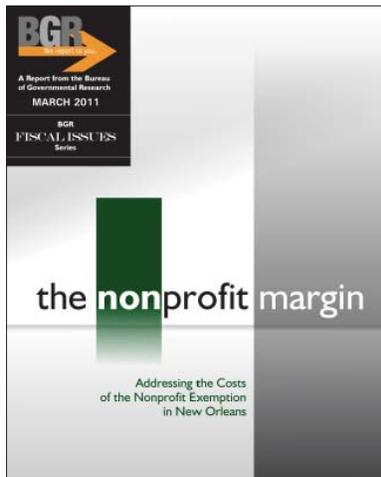
Post-Election Policy Making: Tax Exemptions and the Tax Base

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BACKGROUND

BGR has published numerous reports exploring the costs of ad valorem property tax exemptions. In 2011, BGR estimated that 60% of property value is off the tax roll.* Of the exempt property, slightly more than half is owned by governments and one-third is owned by nonprofit organizations. The balance is mostly homestead-exempt property, with a small amount of tax-exempt industrial property.



Exemptions deprive local government of revenue and drive up the taxes on non-exempt residences and businesses. In 2011, BGR prepared illustrative scenarios of those impacts. One scenario indicated that, as a result of the nonprofit exemption, tax-recipient bodies in Orleans Parish had to forego more than \$125 million in annual revenue. In a revenue-neutral scenario, the mill-

age rate could be cut by 44 mills, or nearly one-third of the total rate levied at that time.

Louisiana's constitution exempts an unusually wide range of nonprofit-owned properties. In its 2011 report and again in March 2016, BGR pointed out that Louisiana is significantly out of step with national norms.** Its exemption provisions are overly broad, not necessarily tied to public benefits, and do not require that nonprofit property actually be used for an exempt purpose. In March 2017, BGR prepared a template for constitutional revisions to address these concerns and provided it to state legislators.***

* BGR, *The Nonprofit Margin: Addressing the Costs of the Nonprofit Exemption in New Orleans*, March 2011.

** BGR, *It's Time for Common Sense on Nonprofit Exemptions*, March 1, 2016.

*** Letter from BGR to the Louisiana State Legislature, March 7, 2017, available at <http://www.bgr.org/reports/aligning-louisianas-nonprofit-property-tax-exemption-with-national-norms/>.

TAX EXEMPTIONS AND THE TAX BASE

In July 2017, BGR asked the mayoral and council candidates the same question about whether they support BGR's template for nonprofit exemption reform. From a broader perspective, BGR also asked the candidates what measures they would propose to protect and expand New Orleans' tax base.



Do you support the BGR template for reform of the nonprofit exemption in the state constitution? If there are points with which you disagree, please state what they are and explain the approach you would take.

Mayor LaToya Cantrell

I agree with BGR's template for nonprofit exemptions within the state constitution, but I also believe additional changes should be made to the state constitution to provide additional local power to determine its own criteria for property tax exemptions and abatements. The state should not be in charge of dictating how municipalities administer their local property tax systems.

Councilmember At-Large Helena Moreno

Unfortunately, this would be an issue decided by the State Legislature, and as a veteran of that body, I can attest that such fights are extremely difficult. Overall, I do believe that we need more property in commerce, including returning blighted or underutilized publicly-owned, tax exempt properties to the market to encourage more development.

Councilmember At-Large Jason Williams

Broadly, I support reviewing existing tax exemptions to make sure everyone is paying their fair share. ... [W]e are all using municipally funded infrastructure such as roads, police and fire protection – leaving non-exempt property owners to foot the bill.

I wholeheartedly support universities, colleges, and churches (including the Archdioceses) returning to the tax base. ... [T]hey all rely on city services, and many realize it is time they pay their fair share (in taxes or a lump sum).

Room to Improve - Carefully

I agree that the solution is a combination of reviewing nonprofit exemption requirements at the State level, and restricting exemptions only to those properties that are used for public benefit. There are certainly areas where the list can be tightened up, however crafting that criteria can be a powerful policy tool and must happen with the greatest of care, transparency, and oversight.

Value Judgments

I also do not want nonprofits to be subjected to value judgments or scrutiny about whether or not the work they do is worthy of an exemption, which we faced while reforming the City's fee waiver structure. ...

Scope of problem

I acknowledge there are some properties owned by nonprofits that aren't being used directly to further the mission of the nonprofit, however I am not convinced there are enough of these to warrant this sort of overhaul. ...

Limited Funding

Nonprofits face a meager funding climate, and imposing taxation on these properties creates unnecessary obstacles to developing those properties to serve their purpose for public benefit. ...



Do you support the BGR template for reform of the nonprofit exemption in the state constitution? If there are points with which you disagree, please state what they are and explain the approach you would take.

Councilmember Joseph “Joe” Giarrusso, III (District A)

According to the proposed 2018 City Budget, sales tax revenue is expected to be a little over \$220 million whereas property tax revenue is close to \$142 million. That is upside down and regressive. According to BGR letter of March 7, 2017, BGR found that “the number of parcels owned by nonprofits had grown rapidly, increasing by 60% between 1996-2011.” Given the overbreadth of the exemptions, putting the most obvious examples back on the tax rolls such as “property that is sitting idle, held for future investment, or even used for a related commercial purpose” make the most sense.

Councilmember Jay H. Banks (District B)

I believe we are not doing enough to collect EXISTING revenue owed to the city. Before delving into this complicated and multi-step process (involving the state legislature, etc.), we must ensure we are collecting what is owed to the city.

Councilmember Kristin Gisleson Palmer (District C)

Yes, I’m in favor of reviewing the nonprofit exemption in the state constitution.

Councilmember Cyndi Nguyen (District E)

Because most basic services provided by cities are funded by real estate taxes, it’s reasonable that every property owner should pay something. All owners of land and buildings in a community, whether for-profit or nonprofit entities, use the basic services provided by the city.

Many nonprofit organizations provide critical and needed services for communities. They provide services that city government does not and those services are vital to our community. Before we start taxing nonprofit organizations, I believe that city government needs to demonstrate its ability to work efficiently and effectively with taxpayers’ fund. I believe that once we remove waste and abuse and create a system accountability, the need to tax nonprofit organizations may not be necessary.



What measures would you propose to protect and expand the tax base?

Mayor LaToya Cantrell

I believe we need to work with our delegation at the state level to put forward changes to the constitution that will provide cities with more discretion and flexibility regarding property taxes. I want to incentivize the public sector to sell unwanted or needed property to private entities that will pay property taxes on such property. I also want to incentivize non profit entities to pay PILOTS in exchange for working with them to redevelop their underutilized properties. This kind of partnership is a win-win that expands the tax base and puts property back into productive use.

Councilmember At-Large Helena Moreno

I am a proponent of using development agencies and funds - including NORA - to aggressively return underutilized property back into the market and foster development. This attacks both our unfair and inequitable tax burdens and our crisis of affordable housing. We need to encourage development - especially residential units - wherever possible and at the appropriate densities in order to fulfill both of those goals.

Councilmember At-Large Jason Williams

More Housing

The bottom line is we need more people to live here and own their homes. Any effort to attract or support development contributes to growing the tax base – increasing the supply of units available at all price points, and expanding homeownership opportunities.

Expanding homeownership also means increasing affordability, and finding new pathways to ownership, such as the homeownership programs recently launched by FANO.

Expanding Homeownership/Affordability

Over the past four years I have worked on several policies and initiatives to spur development such as increasing density limits for housing along transit corridors, inclusionary zoning, and constantly considering potential impacts on housing affordability for everything that comes before the Council.

Blight – we also need to put more properties into commerce.

There are tens of thousands of abandoned properties that are just racking up debt and weighing down the surrounding neighborhoods. ...

We need to start thinking strategically on the local and State level about legislation that can un-stick these properties so they can be put back into commerce and contribute to the tax base instead of draining resources for code enforcement, abatement, adjudication, tax sales, etc. These changes are difficult ones, but they are long overdue. We can't keep doing the same things and expecting different results.



What measures would you propose to protect and expand the tax base?

CONTINUED

Councilmember Joseph “Joe” Giarrusso, III (District A)

It is shocking and disturbing that the City collects more in sales tax than property tax. Putting exempt properties on the rolls make sense. Additionally, where sales tax is not being properly collected, the possibility of contracting to collect local sales tax should be explored. Moreover, where dedicated money is not spent for its intended purpose (like the streets), this should be corrected to avoid looking for other funding sources. We should also be looking at ways to be more resilient and increase efficiencies, which will reduce spending.

Councilmember Jay H. Banks (District B)

I believe in helping return underutilized public land into commerce to increase our tax base and building stronger incentives to help equalize our tax base across neighborhoods - making sure those who can pay, do pay; and ensuring our revenues aren't predicated only on what hard-working families and seniors pay to the city.

Councilmember Kristin Gisleson Palmer (District C)

I believe blight reduction programs can bring more properties into commerce and expand the tax base. I have over 20 years of neighborhood revitalization experience and currently redevelop blighted properties through my private business. My expertise can be applied on a larger scale through advocacy on the city council.

Councilmember Cyndi Nguyen (District E)

Before I will take any action, I will review research and reports that have been conducted. However, I believe that to expand the tax base should not be taxing nonprofit organizations but to work to attract strong economic development projects and create homeownership.
