

## Constitutional changes mostly focus on proposed tax breaks

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Eight proposed amendments to the state Constitution are on Tuesday's ballot. Below are excerpts of a voter's guide compiled by the Public Affairs Research Council of Louisiana.

### **Property Tax Assessment Freeze for Military and Disabled**

**You Decide:** A vote for would expand eligibility for a property tax assessment freeze to certain current and former military members, certain people with permanent and total disabilities and some of their surviving spouses.

A vote against would continue to allow only those who are 65 years of age or older and some of their surviving spouses to be eligible for the property tax assessment freeze.

**CURRENT SITUATION:** The Constitution gives a special property tax break for the owner occupied homes of seniors (age 65 or older) and their surviving spouses (if 55 years of age or older or with minor children). The property tax assessment is frozen at a "special assessment level," which is the assessed value of the property when it first qualifies for the freeze. The assessment remains the same as long as (1) the property value does not increase more than 25 percent due to construction or reconstruction or (2) the property is not sold. The benefit is lost if the applicant's combined adjusted gross income for federal income tax purposes exceeds a threshold equal to \$50,000 in 2000, adjusted annually for inflation.

**PROPOSED CHANGE:** This amendment would expand the list of those eligible for the property tax freeze to include people with a military service connected disability rating of 50 percent or more, military members who are missing in action or prisoners of war for a period exceeding 90 days, the spouses of military members killed in action, and any person that a state or federal administrative agency has deemed permanently and totally disabled. Awkward language in the amendment leads to disagreement over whether the freeze would expire after a prisoner of war is released or a member missing in action is found. The amendment also includes other restrictions on eligibility for certain people. The surviving spouses of those who receive the freeze due to a service-connected disability must be 45 years of age or older or have minor children to maintain their eligibility. The surviving spouses of those who are killed in action do not need to meet an age qualification or have minor children to maintain the assessment freeze.

**COMMENT:** If this amendment passes, revenues derived from property taxes will not be lowered. However, revenue growth will be slowed, because a wider range of people will have tax bills that can only grow due to millage increases and not property value increases. Proponents argue that this amendment is needed to protect certain homeowners from tax increases due to inflation in the value of their homes. People who live on a fixed or declining income can expect to pay increased property taxes as periodic reassessments raise the assessed value of their homes. Opponents argue that the policing of homestead exemptions is already difficult, and this complex and confusing legislation would increase the administrative burden on assessors to an unmanageable degree.

Opponents add that homeowners already question the fairness of assessments, and the practice of authorizing "special assessment levels" for certain homeowners contributes to suspicions of favoritism. They also warn that this tax exemption could create new avenues for abuse of the

system and would limit future revenue increases for local governments. Proponents counter that the fiscal effect would be minimal to governments, but significant for the recipients of the tax break.

### **Parish Severance Tax Allocation**

**You Decide:** A vote for would increase the maximum amount of state oil and gas severance tax revenue a parish government could receive each year from \$750,000 to \$850,000.

A vote against would retain the present limit at \$750,000 per parish.

**CURRENT SITUATION:** The Constitution requires the state to give parish governments a portion of the severance taxes collected in each parish. It requires that 20 percent, but only up to \$750,000 a year, of the severance tax on all natural resources, other than sulfur, lignite or timber, be shared with the parish of origin. The present cap has been in place since 1998, when it was increased from \$500,000. In 2005, the state collected \$666 million of these severance taxes, which are collected primarily on oil and natural gas. Parishes would have received \$133 million if the full 20 percent were distributed, but the \$750,000 per-parish cap limited the actual distribution to about \$29 million.

**PROPOSED CHANGE:** The amendment would increase from \$750,000 to \$850,000 in 2008 the maximum amount of the severance tax revenue on oil and gas paid by the state to the parish of origin. Each year after 2008, the cap would be adjusted upward for inflation.

**COMMENT:** Raising the severance tax distribution limit would benefit the parishes that currently are receiving the maximum \$750,000 a year. Of the 31 parishes receiving the maximum amount in 2005, 30 would have been eligible for the full \$100,000 increase if the cap were raised to \$850,000. The new cap would have meant a loss in revenue to the state and a gain to the 30 parishes of about \$3 million in 2005.

Proponents say this provision would prevent the need for future constitutional amendments to raise the cap (because of inflation). Another argument for the amendment is that an increase is required to adequately provide for the higher cost of maintaining and repairing parish bridges and roads. Critics of the proposal question the need for the state to give up more revenue to benefit parishes that already receive other revenues from the economic activity associated with severance operations like jobs and sales taxes.

### **Property Tax Exemption for Leased Medical Equipment**

**You Decide:** A vote for would exempt from property taxes certain medical equipment leased for five years or longer to small, rural nonprofit hospitals.

A vote against would maintain a property tax exemption only for medical equipment owned, not leased, by small, rural nonprofit hospitals.

**CURRENT SITUATION:** The Constitution exempts certain types of property from property taxes. Property owned by nonprofit organizations dedicated to a variety of causes, including health care, is exempt. For example, equipment owned by nonprofit hospitals is exempt, but those hospitals are taxed for similar property if leased.

**PROPOSED CHANGE:** This amendment would exempt from property taxes medical equipment leased to nonprofit organizations that own or operate small, rural hospitals. Such equipment would only be exempt if it is leased for at least five years. Small, rural hospitals are defined as those with fewer than 50 Medicare-licensed acute care beds. To qualify, such hospitals would have to be located in a municipality with a population of less than 10,000.

COMMENT: Passage of this amendment could potentially cut costs for certain small hospitals that lease medical equipment. The amendment is drafted so narrowly that currently only three hospitals would qualify for the tax break: Assumption Community Hospital in Napoleonville, Christus Coushatta Health Care Center in Coushatta and Union General Hospital in Farmerville. Proponents argue that the exemption would cut costs for hospitals in rural areas. Opponents argue that the amendment is too narrowly drafted by including the arbitrary population threshold of 10,000, which tailors the tax break for a few facilities. There are 34 nonprofit, community hospitals in the state, but only three fit the criteria for the tax break.

### **Municipal Property Tax Exemption for Motor Vehicles**

You Decide: A vote for would exempt motor vehicles from municipal property taxes.

A vote against would continue to allow municipalities to levy property taxes on motor vehicles.

CURRENT SITUATION: Motor vehicles are subject to municipal property taxes unless the municipality passes an ordinance or resolution to provide an exemption. New Orleans is the only municipality that currently levies this tax. A resident with a car valued at \$20,000 would have paid \$317.06 in 2004.

PROPOSED CHANGE: The amendment would extend the state motor vehicle property tax exemption to municipal taxes. The exemption would apply statewide, but revenues would only be reduced in New Orleans, because no other municipality levies the tax.

COMMENT: Past efforts to place an amendment on the ballot prohibiting the motor vehicle property tax failed, because a source of replacement revenue for the local government entities could not be identified.

New Orleans could exempt motor vehicles from its property tax by local government ordinance, rather than by supporting a statewide constitutional exemption. Statewide property tax exemptions place further limits on local governments' ability to raise their own revenue, thus increasing their reliance on state funding. Opponents argue that a further tax exemption would create additional burdens on local government entities, particularly during the post-Katrina budget crunch in New Orleans. Proponents point out that some people register their cars in other parishes in order to avoid the tax.

### **Property Tax Exemption for Consigned Art**

You Decide: A vote for would grant a property tax exemption for art placed on consignment.

A vote against would maintain the current property tax exemptions, which do not include consigned art.

CURRENT SITUATION: Art held on consignment with a dealer is not exempt from property taxes, nor is any art owned as property for sale for profit. Consignment is the practice of placing items with dealers who then sell the property for a commission. The owner of the art who has placed the piece on consignment is responsible for paying the tax.

PROPOSED CHANGE: This amendment would exempt from property taxes all art held on consignment statewide as of January 2007.

COMMENT: Passage of this amendment could result in a decrease of property tax revenue for local government entities. Data are unavailable to determine the amount of revenue the tax on consigned art has generated in the past. Proponents point out that this tax depresses sales tax revenues by discouraging artists from placing their pieces on consignment. The potential sales tax loss, they say, is greater than the property tax gain.

Supporters of the exemption argue that it would create a more friendly business climate for artists in Louisiana, many of whom were caught off guard by the recent imposition of this tax. Opponents argue that additional exemptions for property taxes are burdensome to local governments and reduce local governments' capacity to raise their own revenues.

### **New Family and Juvenile Judgeships**

**You Decide:** A vote for would give the Legislature specific authority to create new family and juvenile judgeships.

A vote against would leave some existing family and juvenile judgeships subject to legal challenge.

**CURRENT SITUATION:** The 1974 Constitution specifically allows the Legislature to create judgeships with general or limited jurisdiction but is silent as to the creation of specialized judgeships that may hear only family or juvenile matters. The state's current judicial system is divided into several types of courts that hear juvenile and family matters, including district, parish and city courts. Many district courts have juvenile divisions and a few have family divisions; the family and juvenile courts in East Baton Rouge Parish; the juvenile courts in Caddo and Jefferson parishes; the civil, criminal and juvenile courts in Orleans Parish. The Legislature may create judgeships based on the recommendation of the Judicial Council of the Louisiana Supreme Court.

Although the courts have relied on their inherent constitutional powers to create juvenile and family divisions or sections, there has been some question regarding their legal status. Specifically, the delegation of juvenile and family cases has been argued to violate random allotment rules that require access to all judges to ensure judicial independence and fairness. There have been some lawsuits challenging the authority of certain specialized divisions created after 1974.

**PROPOSED CHANGE:** This proposal would allow the Legislature to create new family or juvenile judgeships. The judgeships would have the same territorial jurisdiction of the district court in which they operate. The current procedures for creating new judgeships would continue to apply.

**COMMENT:** There is a growing national trend toward using specialized judges to deal with the rising number of family and juvenile cases. Proponents argue that the amendment is needed to give the Legislature specific constitutional authority to create judgeships that have specialized jurisdiction over family or juvenile matters within a district court. The proposal would resolve questions over such judgeships created in the future and protect their judgments from legal attack and potential nullification. Supporters note that the amendment would help the state's troubled juvenile justice system by speeding up the progress of juvenile cases to avoid potential federal court sanctions. Some critics think the proposal should be broader to allow the Legislature to create judgeships that may hear both family and juvenile matters.

### **Consolidation of the New Orleans Assessors**

**You Decide:** A vote for would consolidate the seven separate assessors in New Orleans into a single, parishwide office.

A vote against would maintain the seven separate assessors in New Orleans.

**CURRENT SITUATION:** The Constitution requires each parish except Orleans to elect one tax assessor. Seven assessors are elected in Orleans Parish.

**PROPOSED CHANGE:** This proposal would consolidate the seven separate assessors in New

Orleans into a single, parish-wide elected office.

COMMENT: Proponents argue that consolidation would be a good first step toward achieving more uniform property assessments, improving city finances, streamlining government and enhancing transparency and accountability. Some proponents also say that consolidation would help improve the current image of the state and city, which has been tarnished by allegations of corruption and post-storm strife. Opponents argue that the proposal diverts critical attention from more important issues that include saving Orleans' failing school system, rebuilding destroyed and damaged homes, reviving abandoned businesses and bringing back residents who are scattered throughout the nation. Some opponents also argue that consolidation would create an office that could wield too much power and influence. Proponents counter that East Baton Rouge and Jefferson parishes each have total assessed values higher than that of Orleans Parish and have only one assessor.

### **Central Community School System**

You Decide: A vote for would establish the Central Community School System, a new public school district that would include four public schools that are now part of the East Baton Rouge Parish School System.

A vote against would maintain the status quo, and public schools in the Central community would remain part of the East Baton Rouge system.

CURRENT SITUATION: Public schools in the community of Central are now part of the East Baton Rouge Parish School System (EBRPSS). Louisiana currently has 68 public school districts, 64 of which are parish districts. The other four districts are Baker, Bogalusa, Monroe and Zachary. The Constitution states that these four districts, and no others, shall be regarded as independent districts and shall have the authority granted to parish districts.

PROPOSED CHANGE: The amendment would allow Central to separate its schools from the EBRPSS and form its own school district. The amendment also would add specific language prohibiting any school district in the state from using state dollars to discriminate against students.

COMMENT: In September, the State Board of Elementary and Secondary Education (BESE) passed a resolution opposing the creation of the Central school district. The resolution states that BESE "respectfully discourages" the creation of new school systems from existing school systems. Aside from this very cursory statement on the matter, there are currently no standard criteria by which either the Legislature or BESE judge the merits of proposals to create school districts. Without clear policy guidance from an independent authority, local politics and rhetoric dominate the debate. A more rational and research-based approach would guide this process toward more efficient and effective districts or sets of districts. Proponents of the amendment argue that a separate, smaller school system would offer citizens greater local control of neighborhood-based schools and encourage greater parental involvement. They also argue that a more localized school district would foster a greater sense of school system ownership among voters, which might result in an increased willingness to provide financial support for public schools. Proponents contend that student enrollment in public schools in the Central area has declined over recent years and that at least 50 percent of the students in the Central community now attend private schools. The migration to private schools and outlying areas with better performing districts, proponents argue, is the result of a steady overall decline in the test scores of Central area public school students and resistance to busing students across the parish. Creating a smaller district, they contend, would enhance academic achievement and bring students back to neighborhood public schools in the Central community. Opponents argue that the withdrawal of Central would cost EBRPSS both financially and academically. Some amendment opponents contend that creation of the Central school system is racially motivated. Enrollment data show that at the end of the 2005-06 school year, the four schools that would be

Central schools had a racial makeup of 47 percent black and 52 percent white. Estimates show that the new district would be approximately 15 percent black and 85 percent white.