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Car tax runs into challenge at polls

Measure could erase N.O. revenue source

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By Bruce Egger

Among the eight constitutional amendments on ballots Nov. 7 is a measure that would prohibit local governments from imposing a property tax on motor vehicles.

That tax now is authorized statewide but is collected only in New Orleans, where it has been levied since the 1950s and brings in a few million dollars a year.

The amendment, No. 4 on the ballot, was authorized by the Legislature in 2005, when both houses overwhelmingly passed a bill introduced by Rep. Jeff Arnold, D-Algiers.

The Louisiana Constitution already prohibits state and parish property taxes on motor vehicles, but it says local municipalities can choose to impose such a tax. The proposed amendment would prohibit the tax in all circumstances, effective immediately.

Arnold's bill originally was opposed by Mayor Ray Nagin's administration, which said it did not want to lose the revenue, but Nagin later said he could support the change if a replacement revenue source were found. No such source has been identified.

During legislative debate in 2005, city officials said the parish was levying \$7.8 million in auto and truck property taxes each year but collecting only \$5.2 million, with the money divided among the city, the School Board and other taxing authorities. Algiers Assessor Tom Arnold, the father of Rep. Arnold, said that by his calculation, the parish collected closer to \$4.4 million a year from the tax.

Collections were so low in large part because the state's database of vehicles registered in Orleans Parish usually was out of date, listing thousands of cars that had been sold or junked, city officials said.

Critics of the levy have noted that it is assessed on vehicles by make, rather than market value, sometimes resulting in odd inequities.

While most car owners have received bills for just a few dollars, some bills have been significantly higher.

The city failed to mail motor vehicle tax bills after Hurricane Katrina, effectively canceling the tax for this year. In justifying the de facto suspension of the tax, city officials cited the large number of flooded vehicles that would have had to be identified and deleted from the taxable database, as well as the displacement of much of the city's population.

They also do not plan to mail the bills this fall for payment in 2007, saying there is a good chance the voters will have killed the tax by then.

Supporters of the proposed amendment say the motor vehicle levy is a "nuisance tax" that is difficult to collect and does not generate enough income to offset the ill will it creates among taxpayers. They say it is hard to apply uniformly and leads to people registering their cars in other parishes to avoid the tax.

The money the city collected before Katrina amounted to less than 1 percent of its budget, amendment supporters say, and the tax is expensive to collect because bills must be mailed to the owner of every motor vehicle registered in Orleans Parish.

However, as groups such as the Bureau of Governmental Research point out, state law already allows municipalities little discretion in how they can raise revenue, and passage of the amendment would remove yet another of their limited options.

Although the decision will be made on a statewide basis, the BGR and the Public Affairs Research Council note that the impact of repeal would fall on only one municipality, and at a time when government agencies in New Orleans desperately need money.

The BGR has come out against the amendment. "While the wisdom of the tax can be debated," the group says, "it is a matter that should be addressed at the local level by the local governing authority. If the Legislature wants to eliminate an existing source, it should provide local governments with a new revenue option."

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