



Louisiana Homestead Exemption Fight Makes General Property Tax Possible

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On Thursday, May 14, the good government group the Public Affairs Research Council came out swinging against a proposed increase in the Homestead Exemption--likely because after years of discussion, an increase of some sort seems very probably prior to the conclusion of the current legislative session.

In a press release, they said, "For decades, PAR has opposed any increase in the homestead exemption because it would stifle expansion of the local tax base and inequitably impose tax increases on both businesses and residents."

"Property taxes are imposed locally to fund services that directly affect home values. The goal of the state's property tax laws should be to ensure taxes are levied with maximum fairness on the broadest possible base of homeowners. Local revenues should be allowed to rise with increased property values and new development to ensure the fiscal stability of local government."

PAR's comments were tame compared to the words of Louisiana Association of Business and Industry President Dan Juneau. After hearing that LABI's closest ally Bobby Jindal would support some kind of increase, Juneau reacted vitriolously, "Governor Jindal offered no reasons for supporting efforts to increase the homestead exemption. I would hope that he does not suggest that an increase in the homestead exemption will result in a reduction of property taxes. It will not. Instead, it will transfer property taxes from some taxpayers to others who are already paying more than their fair share."

That a Republican Administration and a conservative legislature would break with their usual nominal allies underscores the public popularity that an increase in the Homestead Exemption carries this year, as thousands of homeowners were greeted with sharply higher property tax bill--thanks to higher property assessments in the past few years.

Many property owners had paid little in any tax on their homes in recent memory, and the normally phlegmatic electorate began besieging their representatives with calls to boost the exemption, so that these property tax bills will not grace their mailboxes next year.

Property taxes--or the lack of them thanks to the Homestead Exemption-- compares in Louisiana politics to what Social Security means emotionally in national arena, a proverbial "third rail", and few politicians, white or black, Republican or Democrat, desire to vote against an increase in the exemption, and suffer the voters wrath in doing so.

Supporters argue that the Homestead Exemption has not gone up since it was set at its current \$75,000 during the Treen Administration in the early 1980s. If it were keyed to the inflation rate, as Federal Progressive Income tax rates are, the exemption would rest near \$100,000, and equity, they argue, demands an increase to at least that amount.

Others go farther, saying that middle class home values have more than surpassed that sum, and \$150,000 would be the amount needed to purchase the same sized house that \$75,000 would buy in 1981. Therefore, they contend the rate should be set at that amount.

The Jindal Administration has remained mum on which plan it backs, only to say in recent days that perhaps the exemption should be keyed to the Consumer Price Index (CPI), which would take into account home value increases in future years.

No one is sure what the final successful legislation will look like, save that some adjustment in the Homestead Exemption will come this year, and that reality has parish governments, school boards, and small business people worried.

The last time the exemption increased, in a few cases, Parish Government budgets were cut drastically, but the weight of the higher property tax rates fell on small businesses and renters.

Milliages were "rolled forward" to make up the lost revenue, as can be done by public bodies without a public referendum. Since large industry is often exempt from property taxes under the Industrial Tax exemption, and many middle class homes were taken off the tax rolls, it was the retail business owner and the rental complex that took the brunt of these tax increases.

Many municipalities in Louisiana went to milliages rates that are common in the Northeast, rendering property taxes of businesses and apartments that far outstretched any other county in South or the Sunbelt--even in states like Florida and Texas where no Income tax is levied.

(Legislative insiders note to Bayoubuzz and The Louisiana Weekly [www.louisianaweekly.com] that increasing the Homestead Exemption is the easiest tax cut that the legislature can pass. It does not

effect their revenues at all, and makes parish governments more dependent on legislative largess-- thus increasing the power of the average Representative of Senator.)

Advocates of raising the Homestead Exemption note, however, that as property values have increased, the extra monies have usually not resulted in parish governments or school boards rolling back millage rates. Some have, but most have "rolled back" only to "roll forward" to the previous rate of taxation. Thus, the advocates contend, the homeowners of Louisiana have endured repeated tax increases with no relief.

A few legislators have fought to end this specific practice in future years, without going to the extent of changing the Homestead Exemption. Rep. Jeff Arnold (D-Algiers) and Sen. Julie Quinn (R-Metairie) have each attempted repeatedly to pass a bill that would require a public vote before any millage rate was rolled forward after having been rolled back. The voters would treat such a measure like any tax increases.

Some legislators have privately admitted to this newspaper that there was some hope that the measure would succeed in this session, and remove the pressure for an increase in the Homestead Exemption.

In past legislative sessions, Sen. Willie Mount of Lake Charles had blocked the measure in the Municipal and Governmental Affairs Committee, which she previously chaired. As the former Mayor of Lake Charles, she thought that the bill would have too much damage on local government.

However, other Representatives contend that the problem of homeowner property tax has already become too onerous for most homeowners. While the idea above might succeed now that Mount has retired her Chairmanship, it is "too little, too late" to help small homeowners suffering sudden property tax increases in the middle of a recession.

A possible compromise on the issue of the Homestead Exemption increase may have emerged this week, though, thanks to House Bill 252 by Northshore Republican Kevin Pearson.

Originally, Pearson had nothing of the sort in mind for his legislation. In an interview with Bayoubuzz and www.LouisianaWeekly.com, the State Rep. said that as current constituted HB252 would keep the Homestead Exemption at the current \$75,000 amount but simply have it begin at \$10,000 in a home's value and exempt all taxes up to \$85,000.

In other words, everyone would have to pay taxes on the first \$10,000 of their home, but the next \$75,000 would remain exempt. Since in many parishes the majority of homes are worth at least \$85,000, the impact in most places is minimal. Yet, in parishes like St. Helena, where only a handful of homes meet the property tax threshold, more money would flow into local governments.

As Person explained, "HB252 accomplishes a number of things. First, it more fairly spreads the property tax burden among all homeowners. Second, it will increase funding for local education and public safety. Third, it will alleviate the burden on businesses, which already pay the majority of property taxes in our state."

The State Rep. expects that the added revenues would allow many parishes to both roll back their millage rates and provide extra money for public services. Consequently, as he outlined, "The measure then has a waterfall effect: By improving education and public safety, Louisiana becomes more attractive to businesses. By better funding education, we will have a better-prepared workforce. These things lead to job creation. With more than 50 percent of homes in Louisiana completely exempt from taxes, many parishes are horribly underfunded."

He admitted, "The way the bill is written, the measure will increase revenues initially, allowing for rollbacks to previous millage rates after the next reassessment."

It is in that legislative language that some, including Jefferson Republican Rep. Cameron Henry have suggested that a deal on the Homestead Exemption increase is possible.

"We could open the first ten thousand to taxation, on the premise that everyone should pay something, and then increase the exemption to deal with the higher home values," he maintained in an interview with the Weekly. Parishes would enjoy increased revenues to compensate them for many of the losses that a higher homestead exemption might bring.

Rep. Pearson said that "so far, there has been no overt effort to merge the concepts," yet many of his fellow legislators refuse to rule out that option.

Governor Jindal has not as yet committed to sign HB252 as currently written, Pearson stated. "The governor has said he has concerns about the idea but has expressed neither support nor opposition. The concern he has voiced is that it will complicate assessments and billing."

"But," the State Rep. is quick to add, "a counter-proposal to link the exemption to the CPI would have an even worse impact as the exemption level would vary year-to-year." In contrast, implementing HB252 would be simple.