



July 20, 2009

Dear Chamber Members,

As you may know, the Chamber supported several bills this legislative session pertaining to “roll forwards,” which would prevent non-elected bodies from rolling millages forward, thereby increasing property taxes, without a vote of the people.

This is a complicated issue. Many of us do not fully grasp how property taxes are calculated and collected. Our goal in this letter is to clarify these processes and the effects they have on all of us as tax payers. We have done our best to keep this message simple, and mean to let you, our members, know that we are watching this critical issue.

One dollar equals 100 cents. What does one mil equal?

A mil is 1/1000 of the value of property. So, to calculate the ad valorem (at value) tax on real estate, divide the value by 1,000 and multiply by the number of mils. For example, if you have a \$100,000 property (the market value), you first divide it by 1,000, arriving at \$100. If you have a total tax of let's say 163 mils (this number varies depending on where you live), the tax (not counting the homestead exemption) would be 100×163 , which is \$16,300.

Louisiana's tax law

The above example is simply how a mil is calculated. HOWEVER, the actual tax law assesses the property at 10% of its value for residential and 15% for commercial property. So, in our example, if the property in question were a residential property, then you would first take 10% of \$100,000 to arrive at \$10,000, the "assessed value." Then divide by 1,000 and multiply by the number of mils, 163 in this case, to arrive at \$1,630.

How does the Homestead Exemption factor in?

The process of determining what a citizen pays in property taxes is further complicated, to the homeowner's benefit, by the Homestead Exemption. What that means is that the first \$75,000 in value is exempt from ad valorem taxes. So, in our example, the initial \$100,000 value of the residence is first reduced by \$75,000, the exemption, so that only \$25,000 is subject to the tax. You then perform the

same calculation, only this time using \$25,000 as the market value. So, \$25,000 is multiplied by 10% to arrive at \$2,500 assessed value. This number is divided by 1,000 and multiplied by the millage of 163 as in the above example resulting in a tax bill of \$407.50. This is how the property tax calculation works.

Commercial property, including rental residential property, has NO homestead exemption, plus the percentage applied to arrive at the assessed value is higher (15%, instead of 10%), so commercial property carries by far the lion's share of the tax burden in this system. (In other words, raising the Homestead Exemption would increase the tax burden on businesses).

Reassessment

The issue before us today is the calculation of the actual mil number, the millage (163 in our example). The State Constitution requires that all property in a given jurisdiction must be reassessed every four years. That is the job of our Parish Assessor, who is required to look at every single piece of property in the Parish and determine if the valuation placed on each correctly reflects the actual market value since real estate values tend to fluctuate.

State law also states that the actual money collected shall remain unchanged based solely on the reassessment mandated to take place every four years. So, as an example, let's assume that a particular Special Taxing District's millage in 2007 was 52 mils. These 52 mils are a part of the total 163 assessed on our example above, the other amounts going to various other taxing bodies in the Parish, such as the School Board, Libraries, Mosquito Districts, Fire Districts, Recreation Districts, etc. Let's also assume that in 2007, the 52 mils resulted in actual taxes collected of \$10,000,000.

Well, for the 2008 tax year, the law requires the Assessor to reassess the property in the Parish. Let's assume here that she does that and in the grand summary of all property values in the Parish, she finds that the total has increased in value by 10%. If the property market value inflates by 10%, then the calculation described above will be performed on every property in the Parish and, let's assume that the Special Taxing District's total also inflates by 10%, so that in 2008, it can be expected, without any adjustment, to collect \$11,000,000, or an additional \$1,000,000.

Roll backs

As noted above, state law requires that the total collected may not rise due solely to the reassessment, so the law requires that the millage be "rolled back" to the number that would result in no increase. So, the Assessor determines that, with the inflated value reflected by the reassessment, for the Special Taxing District to collect \$10,000,000, the mils must be reduced from 52 to 50. So she sends out a notice that the Special Taxing District's millage is reduced and, having done the same for all taxing bodies in the Parish, the total millage for our example above might reduce from 163 to 153.

Now, you might think that is the end of it, since the Special Taxing District is receiving exactly the same as the year before; but remember that in the four years since the last reassessment year, a lot of building has been happening in the Parish and a lot of properties have been converted from pasture

land to home sites and commercial properties. Therefore, even with the millage having been reduced, the natural growth of an area will result in a higher actual tax number to the taxing body (the Special Taxing District in our example). This is because there is now a lot more property being valued much higher, all paying the new 153 mils.

Roll forwards

Now we enter the "troubled waters." State law provides that, once the "roll back" in millage has been determined, the governing boards of the various taxing bodies may "roll forward," that is to say roll the millage back to the original number, which in our case for the Special Taxing District would be to return from 50 mills up to the original 52 mils, WITHOUT a vote of the people. All they have to do is simply advertise the date and location of the vote (advertisements often missed or ignored by many unsuspecting, tax-paying, law-abiding, responsible citizens), and have a vote of the board of the taxing body. AND, they may do so at any time or in any increments during the four years following the reassessment year.

So, again in the case of our example, in January of 2009, the Special Taxing District may publish that it will be considering a roll forward in 2009¹, then, upon an affirmative vote, post a notice on the Courthouse Door that the actual vote will be taken on July 27 in his conference room, then as of July 28 his millage will return to 52 mils. It might roll up 1/2 mil every year to get back to 52 by the fourth year to make it less of an impact to the public.

So, at the end of the process, the Special Taxing District is now collecting the original \$10,000,000 that he collected in 2007, plus the additional 10% from the reassessment, plus the value reflected by the natural growth in the Parish. The public is paying the original 163 mils on property that has increased in value by 10% (in our example). Note here that this increase is in dollars on top of the Homestead Exemption, so the full impact hits the tax payers. So your property tax bill goes up by more than the 10% inflation rate.²

This may seem like a long explanation, but it is the best we could come up with to explain why most taxing bodies have seen their budgets more than double in the last few years and why people have seen their property taxes go way up. And all of this is done without a vote of the people.

¹ In the past some taxing districts have not waited until the reassessment year to act, and have instead rolled up their mills to the maximum in the year preceding reassessment. This produces an increase in revenue in that year AND it establishes a new elevated "base" income for the following year's mandated roll back.

² There can, of course, be justification for rolling millages back up if absolutely necessary to maintain the level of service that the public expected when they originally approved the millage. For example, if homeowners in a fire district are going to suffer higher insurance rates due to a lower fire rating the district received because of budget-forced personnel reductions.

In conclusion

We are fortunate to have an overall high quality of life, a significant part of which is due to the services provided by our taxing districts. We have outstanding fire insurance ratings, we have a low level of crime with protection provided by our police and sheriff departments, excellent schools, recreation for our kids, and services provided by our parish government. However, this does not prevent rolling forward of mills by simply posting an obscure notice of a public meeting in local newspapers that may be missed by residents and homeowners.

We do not mean to single out any one taxing body. The purpose of sending this relatively long explanation is an attempt to help our members understand what has been happening and will likely continue to happen, not only here in St. Tammany, but in other parishes across the state.

As we move forward in our collaborative efforts among the East and West Chambers of Commerce and the Northshore Business Council, it is our goal to help inform all of the members of our respective organizations about this issue today. In the future as we hear of notices regarding public meetings on roll forwards, we will notify our members in an attempt to enable you to speak up, and we will marshal our resources to attend said meetings and speak up in your best interests. Together, we can provide a strong voice of concern and more visible notice to you as taxpayers. We encourage you to stay informed, get involved, and be a part of our united voice to eliminate any unnecessary roll forwards which impact all of our pocketbooks.