

PROPERTY TAX

MILLAGE, MARKET VALUE,
ASSESSED VALUE, REAPPRAISAL & REASSESSMENT
EXPLAINED



WHAT'S INSIDE:

- WHAT IS A MILL?
- WHAT IS FAIR MARKET VALUE VS. ASSESSED VALUE?
- HOW IS MILLAGE CALCULATED?
- WHY IS REASSESSMENT DONE?

Louisiana Property Tax Explained

Louisiana Property tax millages and the mandate for reassessment are very misunderstood by the average citizen and even most government officials. To help clearly illustrate what a millage is, how it affects taxpayers, and taxing bodies, the following simplified explanation is provided.



St. Tammany Fire Chiefs Association

What is a mill?

The term "millage" is derived from a Latin word millesimum, meaning thousandth, with 1 mill being equal to 1/1000th of a currency unit. In English we commonly see similar Latin words like millimeter and millennium that refer to a unit of one thousand. Below is a simple illustration of the value of a mill.[1]

[1] <https://www.investopedia.com/terms/m/millrate.asp>



As used in relation to property tax, the mill rate is the amount of tax payable per dollar of the assessed value of a property. The mill rate is based on "mills." It is a figure that represents the amount per \$1,000 of the assessed value of the property, which is used to calculate the amount of property tax.[2]

[2]

https://house.louisiana.gov/housefiscal/DOCS_TAXREV/2104_Louisiana%20Property%20Tax%20Basics.pdf



Market Value vs. Assessed Value

Property subject to ad valorem (property) taxation shall be listed on the assessment rolls at its **assessed valuation**, which, except as provided in §101.C and §101.F, shall be a percentage of its fair market value. The percentage of **fair market value** shall be uniform throughout the state upon the same class of property. [3]

[3]

https://www.latax.state.la.us/Menu_RulesRegulations/Rules%20and%20Regs%20Changes/RULES.CS.pdf

Fair Market Value - Fair Market Value is the price for property which would be agreed upon between a willing and informed buyer and a willing and informed seller under usual and ordinary circumstances.[4]

[4]

https://www.latax.state.la.us/Menu_RulesRegulations/Rules%20and%20Regs%20Changes/RULES.CS.pdf

Assessed Value – Is a percentage of fair market value based on Louisiana Constitutional law. The classifications of property are reflected as follows:[5]

[5]

https://www.latax.state.la.us/Menu_RulesRegulations/Rules%20and%20Regs%20Changes/RULES.CS.pdf

Classifications	Percentage
Land	10%
Improvements for Residential	10%
Improvements for Commercial	15%
Business Movable Property (Personal)	15%
Public Service (Excluding Land)	25%

THE ASSESSED VALUE REPRESENTS 10% OF MARKET VALUE FOR RESIDENTIAL PROPERTY IMPROVEMENTS AND 15% ON COMMERCIAL IMPROVMENTS. LAND FOR BOTH IS ASSESSED AT 10%.

Market Value vs. Assessed Value

Below is a Graphic depicting residential combined Improvements and land fair market value vs. assessed value



Homeowner property tax bills are the total combined land and improvements "assessed value" at a rate of \$1 per \$1000 x millage rate



Homestead Exemption



The Louisiana Constitution exempts to the extent of \$7,500 of assessed value for those who meet the requirements to apply the exemption on their primary residence.[6]

{6}

https://www.latax.state.la.us/Menu_RulesRegulations/Rules%20and%20Regs%20Changes/RULES.CS.pdf

Example for a \$250,000 fair market total value. Calculating property tax impact on a personal residence with the homestead exemption applied and a tax of 25 Mills:

$\$250,000 = \$25,000$ assessed value – $\$7,500$ homestead exemption = $\$17,500$ taxable value

25 mills = \$25 per \$1,000

$17,500 / 1000 = 17.5$

$17.5 \times \$25 = \437.50

$\$437.50 =$ total tax (\$1 dollar per mill per \$1000 assessed)

Why do reassessment?

Although no details as to the purpose of reappraisal are specifically provided there are clues as well as obvious reasons why reappraisal and reassessment is mandatory at least every four years. By constitutional law Real property, as defined in R.S. 47:2322, shall be reappraised and reassessed at least every four years.[7]

[7]

https://www.latax.state.la.us/Menu_RulesRegulations/Rules%20and%20Regs%20Changes/RULES.CS.pdf

Assessments shall be made on the basis of the condition of things existing on the first day of January of each year.[8]

[8]

https://www.latax.state.la.us/Menu_RulesRegulations/Rules%20and%20Regs%20Changes/RULES.CS.pdf

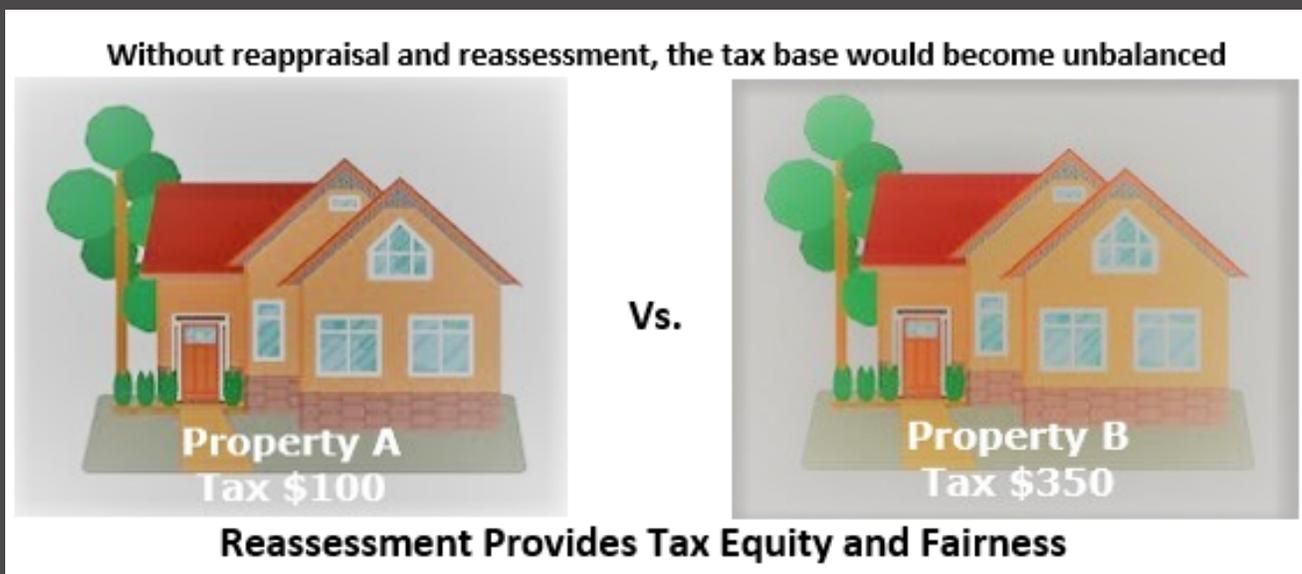
“Property values—such as home prices—are not static. Over time the market value of property will change, and not in a uniform pattern. That is, even in the same community, some property will appreciate rapidly while values elsewhere may stagnate or even drop. These variations in market value necessitate regular reassessment of the property in order to levy an equitable property tax.”[9]

[9] <https://taxfoundation.org/state-provisions-property-reassessment/>

The most obvious reason for reassessment is tax equity or fairness. In Louisiana, every time a property is constructed and added to the tax role, or anytime a property transfer occurs, its value as required is based on the first day of January of that year. If fair market value is higher that given year, that property will pay more tax than other properties added when fair market values were lower. Reappraisal or reassessment resets the values to be uniformed based on the current fair market value as of January 1st of the reassessment year, therefore providing tax equality to all property owners in the community.

Why do reassessment?

Example: Property A is located at 123 Main Street, in Anytown, La., it was built in 1990 and the owner has lived there ever since (30 yrs.). Property B is located at 124 Main Street in Anytown, La., it was built in 1990 and the owner purchased it one year ago. Both houses are in similar condition, both have the same size lot and the same dimensions. Property A was assessed at \$10,000 in 1990 and Property B was assessed at \$35,000 in 2019. Property A at 10 mills would pay \$100 and property B would pay \$350 for the same services. Without reassessment two property owners in the same city, on the same street, in the same size home, would pay very different taxes. Reassessment resets the tax base to keep it fair and equitable for all taxpayers.



NOTE: The homestead exemption applies to property taxes levied in all political subdivisions other than taxes levied by municipalities. In other words there is no homestead exemption on millages levied by municipalities such as cities and towns. These tax authorities receive the full assessed value for homes in their city or town boundaries.

Effects of reassessment

Because of the importance of property tax revenues to the provision of services virtually all substantive property tax policy is established in the Louisiana constitution.[10]

[10]

https://house.louisiana.gov/housefiscal/DOCS_TAXREV/2104_Louisiana%20Property%20Tax%20Basics.pdf

Constitutional protection mandates that taxes collected in the year after a statewide reassessment shall neither increase nor decrease because of the change in the value of the tax base.[11]

[11]

https://house.louisiana.gov/housefiscal/DOCS_TAXREV/2104_Louisiana%20Property%20Tax%20Basics.pdfdd a little bit of body text

This protects important tax revenue from being lost if values decrease and also protects tax payers from automatic increases from reassessment value changes. However; the constitution authorizes the taxing authority levying the tax the option to collect the additional revenues that could be gained from such change in the tax base by reinstating all or a portion of the millage rate imposed prior to the "roll back".[12]

[12]

https://house.louisiana.gov/housefiscal/DOCS_TAXREV/2104_Louisiana%20Property%20Tax%20Basics.pdfdd a little bit of body text

The taxing authority is required to heavily advertise, hold a public hearing, and meet other requirements to approve the increase or "roll forward". The roll forward must be approved by a super-majority vote of the governing authority of the taxing authority and is done without additional voter approval. Note that the constitution mandates that all property taxes by all political subdivisions require approval of the local electorate yet a roll forward does not. This is because the millage amount or millage rate was already approved by voters. The roll forward is simply a taxing authority collecting the full value on the approved millage amount or rate after reassessment.

Additional Considerations

There are important considerations regarding those taxing districts receiving millages; there are two scenarios:

1. Those taxing authorities (agencies) operating on millages and sales tax.
2. Those agencies operating on millage only.

Those agencies operating with both millage and sales tax include Parish Government, Law Enforcement, School Board, and Municipalities, such as Cities and Towns. Some examples of agencies operating on only millage include Recreation Districts, and Fire Districts.

Those agencies who receive both millage and sales tax are at an advantage in two important ways: first, sales tax adjusts with inflation and growth real time and there is no delay in receipts. This reduces the reliance on millage and particularly the need to address increased costs due to inflation using the roll forward after reassessment. Secondly, voter approved sales tax rates do not adjust or roll back. Transversely, agencies who solely operate on millage receive funding a year after providing services, not real time. They have only the roll-forward every four years to cover increased costs. Although many will see growth in funds from new development, that growth may not even cover the costs required to support additional needed services. These agencies will be impacted by inflation and will have to use growth or new money to cover old costs. Additionally, voter approved millage rates are lost if not rolled up and collected at some point between reassessment. When this occurs, it further reduces the voter approved tax rate that can be collected over time. Certainly each taxing authority or agency has different needs based on their governmental purpose and the community served; regardless, all are impacted by community growth and inflation in some manner regardless of their funding options.

The last consideration is the value of taxes based on population. Both sales tax and millage tax are greatly impacted by the communities where they are levied. In the case of millage, populated communities with more development likewise have an increased value of one mill. In more densely populated areas like Mandeville and Slidell, the value of one mill is significantly higher than less populated, less developed areas like Bush and Pearl River. The large revenue numbers seen in populated areas are in direct correlation with the population density and development. Clearly more services are required in areas where more people reside requiring more revenue needed to provide the increased services. To illustrate this, consider the following: Slidell, District 1 has a net value of \$563,215.86 per mill and protects nearly 90,000 people. Pearl River, District 11 has a net value of \$36,258.36 per mill and serves nearly 6,000 people. The resources each community requires to provide adequate services is very different based on population and development served.

Summary

A millage is an amount of money, 1 mill being equivalent to 1/1000 of a dollar or \$1 dollar for every \$1000 of assessed value. When voters cast their ballot, the wording is very specific in that it clearly states which taxing authority will receive the tax, the purpose of the tax, the amount in mills to be collected and the duration of time the voter is approving the given tax to be levied. Below is an actual millage proposition from 2018 as it appeared on the ballot. Note that it is for a levy of 25 mills on all property subject to taxation, note it provides “an estimated” amount “reasonably expected at this time”.

PROPOSITION NO. 1 (TAX RENEWAL)

Shall St. Tammany Fire Protection District No. 4, State of Louisiana (the “District”), renew the levy of a special tax of twenty-five (25) mills on all property subject to taxation in the District (an estimated \$13,794,041.50 reasonably expected at this time) to be collected from the levy of the tax for an entire year), for a period of twenty (20) years, commencing with the year 2022 and ending with the year 2041, for the purpose of acquiring, constructing, improving, maintaining and/or operating fire protection facilities and equipment for the District, including the cost of obtaining water for fire protection purposes, and providing emergency medical response and transportation service in the District?

Taxes collected on a millage generally increase with community growth when a new property is added, if the property is not exempt. As the cost of living increases with inflation property values generally increase as well. Reassessment allows a reset of the tax base which when needed can give taxing authorities “a cost of living increase” or otherwise adjust for inflation. This important provision is essential at times to continue to meet the service demands of the community. Never adjusting millages for cost increases over time erodes services and using new growth to fund inflation under-funds additional services needed to meet the growth demands. Any decision to roll-forward millage rates should be justified through standards, best practices, and data supported needs to meet the purpose of the taxing authority. The constitution provides for protections to property tax because of the importance to the provision of services the taxes provide.[13] In addition, reassessment importantly maintains tax equity or fairness between all taxpayers in a community.

[13]

https://house.louisiana.gov/housefiscal/DOCS_TAXREV/2104_Louisiana%20Property%20Tax%20Basics.pdf

References

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[8]

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[9] <https://taxfoundation.org/state-provisions-property-reassessment/>

[10]

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