Chapter 3. Real and Personal Property

§303. Real Property

A. In making appraisals of any real property, including but not limited to residential, commercial and industrial land and improvements, the assessors shall follow the criteria and requirements in Section 111 of the Tax Commission's Rules and Regulations.

B. The following procedure shall be used for assessing, listing and placing transferred property and property upon which improvements have been made after the date of the reappraisal as set by the Tax Commission:

1. Improvements shall be added to the rolls based upon the condition of things existing on January 1 of each year. The value of the improvements shall be in accordance with the uniform valuation date and quadrennial reappraisal cycle as determined by the Tax Commission.

C. In assessing affordable rental housing, the income approach is recommended. As defined in this Section, "affordable rental housing" means residential housing consisting of one or more rental units, the construction and/or rental of which is subject to Section 42 of the Internal Revenue Code (26 USC 42), the Home Investment Partnership Program under the Cranston-Gonzalez National Affordable Housing Act (42 USC 12741 et seq.), the Federal Home Loan Banks Affordable Housing Program established pursuant to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989 (Public Law 101-73), or any other federal, state or similar program intended to provide affordable housing to persons of low or moderate income and the occupancy and maximum rental rates of such housing are restricted based on the income of the persons occupying such housing.

1. When utilizing the income approach in appraising affordable rental housing as defined herein, the total potential and/or anticipated rental income a property may generate shall be limited by the covenants and restrictions that burden the property. Hypothetical (or anticipated) market rent shall not be utilized in appraising affordable rental housing without taking into account the covenants and restrictions burdening the property.

2. Audited financial statements shall be submitted to the assessor as an attachment to the LAT filing, or as soon thereafter as practicable, but no later than June 15th of each year. For properties under construction and newly constructed property prior to the first full year of operation, the owner shall provide net operating income based on projected or pro-forma operating income and expense information.

3. The capitalization rate shall be set by the Louisiana Tax Commission in conjunction with its Rulemaking Session.

a. It is recommended that the capitalization rate for affordable rental housing properties categorized as Tier 1 shall be within a range of 5.5% - 6.5%, increased by the effective tax rate; for affordable rental housing properties categorized as Tier 2 shall be within a range of 6.5% - 7.5%, increased by the effective tax rate; and for affordable rental housing properties categorized as Tier 3 shall be within a range of 7.5% - 8.5%, increased by the effective tax rate. The Tiers are as established and defined by the Real Estate Research Corporation for Apartment Investment Properties. These capitalization rates shall remain in effect until modified by the Louisiana Tax Commission in accordance with its Rulemaking authority.

4. When performing a valuation of any affordable rental housing property, the assessor shall not consider any of the following in determining fair market value:

a. Income tax credits available to the property under Section 42 of the Internal Revenue Code.

b. Below-market interest rate on financing obtained under the Home Investment Partnership Program under the Cranston-Gonzales National Affordable Housing Act, or the Federal Home Loan Bank Affordable Housing Program established pursuant to the Financial Institution Reform, Recovery, and Enforcement Act of 1989.

c. Any other federal, state, or similar program intended to provide or finance affordable rental housing to persons of low or moderate income and requiring restricted occupancy and rental rates based on the income of the persons occupying such housing.

Note: Also see, Chapter 1, §111.D. thru D.3. and Chapter 2, §213.G. thru G.3.

5. The income approach is recommended when assessing affordable rental housing. However, if another approach to value is utilized, the covenants and restrictions burdening the property must be considered and given the appropriate and proportional weight in the valuation process.

a. Although not recommended, if the sales comparison (market) approach is utilized to value affordable rental housing, the assessor's office must compare sales of comparable rent restricted properties. For affordable rental housing properties, the assessor must either use sales of other affordable rental housing properties (with the same or substantially similar restrictions and covenants) or, if that data isn't available, calculate adjustments to the sales of non-rent restricted, but otherwise comparable, properties. The assessor must specifically consider the restrictions on rent, transferability of the property, and the other covenants burdening the subject property in calculating and applying these adjustments.

b. Although not recommended, if the cost approach is utilized to value affordable rental housing, the assessor must calculate and subtract economic and functional obsolescence due to the restrictions on rent, the transferability of the property, and the other covenants burdening the subject property from the replacement cost. The assessor must consider all of the covenants burdening the subject property in calculating and applying obsolescence.

6. If an approach other than the income approach is utilized to value affordable rental housing, the assessor should also perform an income approach to value to verify the accuracy of the value determined by the other approach(es). If the income approach to value is substantially different (more than 10%) than the other approach(es) to value, it is strongly recommended that the income approach to value be used to ensure a fair and accurate valuation and assessment of the subject property.

D. All real property shall be reappraised based on a mandatory quadrennial reappraisal cycle, as set forth herein.

1. All real property shall be reappraised for the 2016 tax year in all parishes. Beginning in tax year 2016, all real property is to be valued as of January 1, 2015.

2. All real property shall be reappraised for the 2020 tax year in all parishes. Beginning in tax year 2020, all real property is to be valued as of January 1, 2019.

3. All real property shall be reappraised for the 2024 tax year in all parishes. Beginning in tax year 2024, all real property is to be valued as of January 1, 2023.

E. The annual ratio studies of the Tax Commission shall be performed in accordance with the uniform valuation date and quadrennial reappraisal cycle as determined by the Tax Commission.

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:1837 and R.S. 47:2323.

HISTORICAL NOTE: Promulgated by the Louisiana Tax Commission, LR 7:44 (February 1981), amended by the Department of Revenue and Taxation, Tax Commission, LR 9:69 (February 1983), LR 12:36 (January 1986), LR 13:764 (December 1987), LR 16:1063 (December 1990), LR 17:611 (June 1991), LR 21:186 (February

1995), amended by the Department of Revenue, Tax Commission, LR 25:312 (February 1999), LR 26:506 (March 2000), LR 29:367 (March 2003), LR 30:487 (March 2004), LR 34:678 (April 2008), LR 35:492 (March 2009), LR 36:765 (April 2010), amended by the Division of Administration, Tax Commission, LR 38:799 (March 2012), LR 39:487 (March 2013), LR 42:745 (May 2016), LR 43:650 (April 2017), LR 44:577 (March 2018), LR 45:532 (April 2019), LR 46:560 (April 2020), LR 48:1521 (June 2022).