Municipal Revenue Sources

Municipal Taxes and Fees

Presented by the Louisiana Municipal Association
Municipal Revenue Sources

- Municipal revenues are needed to fund municipal public services.
- Revenue sources limited by Louisiana Constitution and general law.
- Limited flexibility in financing public services.
Municipal Taxes and Fees

Revenue Sources Available to Municipalities.
- Ad Valorem Tax (Property Tax)
- Sales and Use Tax
- Occupational License Tax
- Insurance Premium Tax
- Franchise Fees
- Beer Tax
- Hotel Occupancy Tax
Municipal Taxes and Fees

- Chain Store Tax
- Permits and Fees
- State-Shared Revenues
  - Tobacco Tax
  - 2% Fire Insurance Premium Tax
  - State Revenue Sharing
  - Police and Fire Supplemental Pay
  - Video Poker Funds
Ad Valorem Taxes (Property Tax)

- Louisiana Constitution Art. VI Sect. 27 authorizes municipal 7 mills tax for general purposes.

- Tax must be levied by local ordinance.

- Millage rates may increase above 7 mills with voter approval.

- Municipal tax not subject to homestead exemption.
Ad Valorem Taxes (Property Tax)

- New tax for other purposes require voter approval.
- All property subject to tax must be reappraised at least once every four years.
- Reassessment mandates adjustment of millage rate either up or down based on property values.
- Millage rate adjusted to collect same amount of revenue.
Ad Valorem Taxes (Property Tax)

- Results of reassessment:
  - Decrease in taxable property value
    - Millage rate will increase to receive same revenues as previous year.
  - Increase in taxable property value.
    - Millage rate will decrease to receive same revenues as previous year.
  - Taxable property values stay the same
    - No adjustment to the millage rate is needed.
Ad Valorem Taxes (Property Tax)

- If millage rates decrease after reassessment, the municipality may roll forward the millage to the previous level by a two-thirds vote.

- The constitution and state law provide special notice requirements when rolling forward millage rates.
Ad Valorem Taxes (Property Tax)

- LA Constitution Article VII Section 23C
  - Two separate publications at least 30 days prior to the public hearing.
  - Publication shall include date, time, place and subject matter of hearing.
  - Publication on two separate days in the official journal and in another newspaper with a larger circulation within the taxing authority.
- R.S. 47:1705(B)
  - Public hearing in accordance with open meetings law.
Ad Valorem Taxes (Property Tax)

- Additional notice requirements for increasing millage rates without voter approval.
  - Publications no later than July 15.
  - Publication must contain a statement.
    - Tax recipient body intends to consider levying additional or increased millage rates without further voter approval.
  - Published on 2 separate days in official journal and another newspaper.
  - Prominent placement in the newspaper.
  - Formatted in a box size not less than 2 inches by 4 inches with a bolded outline.
Ad Valorem Taxes (Property Tax)

- Failure to timely publish renders the millage null, void and of no effect.
- Advise assessor of the pending public hearing.
- Taxing body shall issue a press release to newspapers and broadcast media.
- Post the notice on the internet website of the taxing authority.
- Provide an estimate of the amount of tax revenues.
- Internet publication shall contain current budget.
- Additional requirements if the hearing is cancelled, postponed or no action taken.
Ad Valorem Taxes (Property Tax)

- The roll forward of millage rates and the notice requirements for the public hearings is a very complex process.

- For assistance with this process contact the Louisiana Legislative Auditor’s Office.

- Motor vehicles are exempt from municipal ad valorem tax by Article VII, Section 21E of LA Constitution.
Sales and Use Tax

- LA Constitution Art. VI Section 29 authorizes local governments to levy and collect.
- LA Constitution Art. VII Section 3 only one sales tax collector for each parish.
- Tax must be approved by voters.
- Tax must be levied by local ordinance.
Sales and Use Tax

- Maximum tax rate for municipalities is 2.5%.
- Requires legislative approval to increase the tax.
- Maximum local rate may not exceed 5% unless approved by legislature.
- Exemptions and exclusions granted by legislature.
Sales and Use Tax

- The exemptions, exclusions and administrative provisions included in Uniform Local Sales Tax Code.
- Tax revenues may be dedicated for specific purpose.
- Tax revenues may be used to secure bonds.
- Local sales tax on motor vehicles collected by LA Dept. of Public Safety, Office of Motor Vehicle.
Sales and Use Tax

- Important sales and use tax issues.
  - State collection of local sales and use tax.
  - Collection of local tax on internet sales.
Occupational License Tax.

- LA Constitution Art. VI Section 28 authorizes occupational license tax.
- State law sets minimum and maximum tax, exemptions, deductions and administrative provisions.
- Tax must be levied by local ordinance.
Occupational License Tax.

- Tax applies to retail and wholesale dealers, lending businesses, commission agents, public utilities and other businesses including professionals.

- Certain businesses are exempt including non-profits, Louisiana artist and craftsmen, disabled persons, banks, newspapers, radio and television stations.

- Municipalities may grant other exemptions and deductions.
Occupational License Tax.

- Occupational license tax information on the LMA website.
  - Tax manual.
  - Application Tax Form and Instructions.
  - Tax tables.
  - Business classification list.
  - Model tax ordinance.

- LMA occupational license tax workshop/webinar.
  - Recorded OLT webinar on the LMA website.
Insurance Premium Tax

- Municipalities are authorized to levy an insurance premium tax by R.S. 22:833.

- Tax must be levied by local ordinance.

- Maximum tax rates set by state law.

- Tax is collected on insurance premiums within municipal limits.
Insurance Premium Tax

- Tax is collected on life, accident, health, fire, marine, transportation, casualty, surety and miscellaneous premiums.

- The Louisiana Municipal Advisory and Technical Service Bureau (LaMATS) offers current and delinquent insurance premium tax programs.

- LaMATS was established in 1999 and is wholly owned by the LMA.
Insurance Premium Tax

- LaMATS provides annual and delinquent collection services.
  - Annual Program - Annual collection service established to collect annual insurance premium tax.
    - The fee is 3% of the taxes collected. This covers all expenses, including mailing, invoicing, reports and limited payment resolution efforts.
  - Delinquent Program - Collection service developed to recover delinquent insurance premium tax.
    - The fee is 10% of the taxes collected.
Insurance Premium Tax

- Receive tax payments more quickly.
  - Compliance by insurance companies has dramatically improved over the past several years.
  - Companies can file ONLINE (www.lamats.net).
  - LaMATS receives tax, then remits to municipality via EFT (or paper check)

- Free up valuable time for clerk/tax collector.
Insurance Premium Tax

- In 2011 177 municipalities and parishes participated in the LaMATS program.

- In 2010 LaMATS collected $16.3 million dollars.

- LaMATS information on LMA website.

- LMA insurance premium tax workshop/webinar.
  - Recorded IPT webinar on the LMA website
Utility Franchise Fees

- Municipalities authorized by R.S. 33:4401-4405 and 4461 to grant franchise agreements.

- Applies to electric, water, gas, telephone and cable television companies.

- Companies pay a franchise fee to have access to municipal rights of way.
Utility Franchise Fees

- Franchise fee rate or amount is set by ordinance, ranges from 2% to 5%.
- Municipalities negotiate franchise fees with the utility companies.
- The franchise fee is paid on gross receipts or sales within municipal limits.
Utility Franchise Fees

- Fee may be based on other payments.
  - Services in lieu of payments.
  - Set a flat fee.
  - Flat fee per utility pole.

- Franchise agreements cannot be greater than 60 years.
Utility Franchise Fees

- LMA has model franchise agreements for telephone companies.
- LaMATS has model franchise ordinance for Entergy agreements and a standard right-of-way ordinance.
- LMA/LaMATS has legal services agreement for franchise agreement consulting services.
Beer Tax

- Municipalities authorized by R.S. 26:491-493 to levy a tax on beverages of low alcoholic content.

- Municipalities may levy a tax up to $1.50 per barrel by ordinance.

- Municipalities must submit ordinance to the Louisiana Department of Revenue.
Beer Tax

- Tax collected and distributed by the Louisiana Department of Revenue.
- Collections are distributed quarterly based on beer sold within the municipality.
- Department retains a collection fee.
Hotel Occupancy Tax

- Tourist commissions authorized by R.S. 33:4574.1A to levy a hotel occupancy tax.

- Tourist commissions must levy the tax by ordinance.

- Special legislative authority and voter approval to increase the tax.
Hotel Occupancy Tax

- State sales tax collected on hotel rooms dedicated to municipalities.

- Legislature must approve special local dedication of state sales tax.

- 2011 Local Sales Tax Dedications – $38.5 million.

- Tax collected by the LA Department of Revenue and distributed by the LA Department of Treasury.
Chain Store Tax

- Municipalities are authorized to levy a chain store tax by R.S. 47:10.
  - Tax must be levied by local ordinance.
  - Tax is based on the number of stores.
Chain Store Tax

- Tax only applies to stores located within the municipality.
- Maximum tax is $550 per store depending on the number of stores in the chain.
Miscellaneous Licenses, Permits and Fees.

- Municipalities may issue permits and collect fees for permits.
- Include building, plumber’s and electrician’s permits and alcoholic beverage license fees.
- These permits are regulatory rather than a revenue source.
Miscellaneous Licenses, Permits and Fees.

- Fines and penalties for violation of municipal ordinances, R.S. 33:441.
- Court cost and other fees remitted to state agencies.
- Parking meter fees authorized by R.S. 33:4871.
State-Shared Revenues

Tobacco Tax

- Taxes were distributed to municipalities and certain parishes.

- Distribution on per capita basis with some variations based on size of municipality.

- The legislature terminated tobacco tax distribution in 2000.
State-Shared Revenues

- 2007 legislature approved a $3 million distribution.
- Future tobacco tax distributions must be approved by the legislature.
State-Shared Revenues

Two-Percent Fire Insurance Premium Tax

- Tax dedicated to local governments collected by Department of Insurance on fire insurance premiums.

- Funding to local governments to aid in fire protection.

- Tax distributed to each parish on per capita basis.

- 2011 Two-Percent Fire Insurance Fund—$16.8 million.
State Shared Revenues

State Revenue Sharing

- Replaces revenues lost from homestead exemption.
- Total distribution to local government is $90 million, authorized by Art. VII, Section 26 LA Constitution.
- Revenues distributed to the parishes.
- Any excess funds should be distributed to the municipalities.
Police and Fire Supplemental Pay.

- Supplemental pay for police officers and firefighters.

- State law sets the rate of supplemental pay.

- Municipality withholds taxes and retirement contribution rates.
State Shared Revenues

Video Poker Funds

- The state receives part of the gross receipts from video poker devices.

- Only municipalities where video poker devices are operated receive this revenue.

- 2011 Video Draw Poker-Local Government Aid – $43.5 million.
Other Revenue Sources

Investment of Idle Funds

- Municipalities may invest idle funds under the provisions of R.S. 33:2955.

Other Revenue Sources

- Home rule charter municipalities.
- Non-home charter municipalities.
Other Revenue Sources

User Fees

- Municipalities authorized to charge fees for municipal utilities.

- Include water, sewer, solid waste collection, natural gas and electricity.

- User fees set by each municipality and vary from one municipality to the next.
Questions

- For questions call George Marretta at 225-344-5001, or email at gmarretta@lma.org.