Report Highlights

Appraisal of Public Service Companies

Louisiana Tax Commission

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Why We Conducted This Audit

We conducted this audit to evaluate the Louisiana Tax Commission's (LTC) process of appraising public service companies. LTC is required by state law (R.S. 47:1853) to appraise each public service company by September 1 of each calendar year. During the 2015 assessment year (fair market values as of December 31, 2014), LTC appraised 716 public service companies, resulting in a total assessed value of $5.5 billion and approximately $557 million in taxes paid to local governments.

What We Found

Our evaluation of LTC's appraisal process for public service companies identified the following:

- **If LTC used an alternative appraisal methodology that accounted for expected future income growth, as recommended by national standards, the assessed values of public service companies in Louisiana may increase by $2.4 billion and result in local governments receiving an additional $249 million in annual tax revenue.** In addition, LTC would collect an additional $964,000 in service fees from these companies during fiscal year 2018.
- **LTC has not developed rules and regulations defining how to appraise public service companies. As a result, LTC values different companies within the same industry inconsistently without any documented explanation.** A change in the weights LTC assigns to a company's valuation approach from year to year can impact the company's fair market value and ultimately the tax revenue for local governments.
- **LTC calculates the value of public service companies using self-reported information.** However, LTC does not conduct any audits to ensure the accuracy of the information companies submit.
- **Over assessment years 2011 through 2015, LTC assigned eight barge and railcar companies to the wrong parish.** As a result, some parishes received tax revenue that should have gone to another parish. Although these eight companies represent a small percentage of barge and rail car companies overall, the total assessed value of these misallocated companies was $2.4 million and impacted seven parishes.
- **The procedure LTC uses to allocate the value of nuclear power plants is not consistent with its procedure for other public service companies and effectively decreases the assessed value of the companies that own these plants by $50.5 million in St. Charles Parish and $67.5 million in West Feliciana Parish.** According to LTC management, state law does not provide LTC with specific procedures but allows LTC to use discretion to adjust its allocation formula to reflect the fair market value of a particular company's property in a particular parish.

In addition, we identified an area for further study focusing on R.S. 47:1855(G)(2), which requires that tax revenue from any property owned by a company with no principal office, agent, or primary business connection in Louisiana be allocated to East Baton Rouge Parish.

View the full report, including management's response, at **www.lla.la.gov**.