LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

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LOUISIANA TAX COMMISSION RESIDENTIAL PROPERTY TAX ASSESSMENTS

The Louisiana Tax Commission's oversight of parish tax assessors fails to ensure that residential property is accurately assessed or that the 64 assessors re-appraise property every four years as state law requires, according to an audit released Monday by Legislative Auditor Daryl Purpera.

The performance audit says the commission, which is charged by state law with overseeing the accuracy of assessments by parish assessors, does not follow up on cases where parish assessments fall outside of an acceptable range of fair market value.

The state Constitution requires assessors to assess each residential property at 10 percent of fair market value, but state law allows a parish's overall assessments to range from a low of 9 percent to a high of 11 percent.

The audit said that of 6,551 properties in the commission's 2011 ratio study, 2,568 of them (39 percent) fell outside of the 9 percent to 11 percent "acceptable range." A total of 1,925 fell below the 9 percent minimum and 643 were above the 11 percent of fair market value.

The audit said that the tax commission does not follow up with parish assessors to determine the reasons for the discrepancies and whether or not they are valid.

It recommended that the tax commission develop a process to follow up with the assessors on the properties outside of the 9 percent to 11 percent range, especially those that are most critically out of the range.

The deviation resulted in some homeowners "owing significantly more in property taxes than their neighbors." In one case the assessments for two similar homes in the same area varied by as much as 249 percent. In another extreme case, the deviation of an assessment was 1,808 percent between two homes in the same area.

The audit said that the commission has not exercised its oversight of assessors to ensure that they re-appraise residential property every four years. Using parish tax rolls, auditors found that 130,212 (21 percent) of 620,310 residential properties in 33 parishes studied had the same fair market value in 2012 and 2007. Madison Parish had the highest number of homes with unchanged fair market values between 2007 and 2012, almost 77 percent – or 2,368 of 3,085 in the sample.

The audit recommended that when assessors submit their tax rolls to the commission, they should be required to include the date of the most recent appraisal so it can be determined if property is being appraised every four years.

The commission also approved $118 million in assessment decreases for more than 20,800 residences and businesses, and $10 million in assessment increases on almost 3,400 residential and business properties between 2010 and 2012 without determining the accuracy of the changes, according to the audit.

Parish assessors must submit changes in assessment rolls to the commission, but the audit said the agency does not verify the correctness of the changes.

Auditors recommended that the commission develop “a risk-based process” to review change orders in assessments, especially those that result in “a significant change in the assessed value.”

The audit pointed out that the tax commission has begun studying the feasibility of a statewide homestead exemption database that the Legislature requested in the 2012 session. The database would assist the commission in identifying residents who received a homestead exemption from their parish tax assessor greater than $7,500 or on more than one residence – both prohibited by the state Constitution.

Using parish tax roll data submitted to the commission, auditors found 721 individuals who had multiple homestead exemptions that added up to more than $7,500 in 2011 with a potential in lost tax revenue of $165,320 in 2011; and 583 individuals with multiple homestead exemptions that added up to more than $7,500 in 2012 for a potential in lost tax revenue of $132,654.

The report said the agency could require “a unique identifier” – like a Social Security number – to be reported by all individuals who claim homestead exemptions as a way to denote those taxpayers who are receiving exemptions on more than one residence or totaling more than $7,500.

In 2012, the state had more than 2.3 million residential and commercial properties with an assessed value of approximately $25 billion. The homestead exemption decreased the taxable value by about $6.9 billion.

For more information, contact:
Daryl G. Purpera, CPA, CFE
Legislative Auditor
225-339-3800