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FISCAL IMPACT STATEMENT

LS 6724 **NOTE PREPARED:** Dec 30, 2011
BILL NUMBER: SB 395 **BILL AMENDED:**

SUBJECT: Outdoor Advertising Sign Valuation Phase-in.

FIRST AUTHOR: Sen. Walker **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **IMPACT:** Local
DEDICATED
FEDERAL

Summary of Legislation: This bill phases in a change in the assessment rules for outdoor advertising signs assessed as depreciable tangible personal property that was made in a rule that was adopted by the Department of Local Government Finance (DLGF) in 2009 and became effective in 2010.

Effective Date: March 1, 2010 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Prior to the 2011 Pay 2012 assessment year, outdoor advertising signs were assessed under a DLGF rule that set the value of each sign based on the type, size, and number of faces on the sign. The DLGF repealed that rule effective with the March 1, 2011, assessment date.

Outdoor advertising signs are now valued in the same manner as most other depreciable personal property by listing the cost of the signs in the depreciation schedule in the personal property tax return. The cost to purchase an existing outdoor sign can vary greatly depending on location. In many cases the value under the new method will be higher.

This bill would phase in the effect of the new assessment method by granting a credit to the owners of the signs for taxes payable in 2011 through 2014. The credit would equal the difference in the tax liability calculated under the old and new methods, multiplied by 100% in 2011 and 2012, 67% in 2013, and 33% in 2014. The credit for taxes payable in 2011 would effectively be zero because the assessment method did not change until the 2011 Pay 2012 tax year.

For taxes payable in 2011, $7.7 M in assessed value was reported statewide by taxpayers who self-reported their principal business activity as display advertising. The tax due is estimated at $195,000. For taxes payable in 2012, $22.2 M in assessed value was reported and the estimated tax due is $602,000. Under this bill, the potential credit for these identified taxpayers could amount to $407,000 in 2012, $273,000 in 2013, and $134,000 in 2014.

The actual amount of credits could be more or less than these estimates. The property tax returns for the taxpayers identified above may also contain property other than outdoor signs, so the above estimates for these taxpayers may be high. However, the full universe of outdoor signs is not known. If a sign owner listed any other activity as their principal business activity, their credits would not be included in the estimates above. It is very likely that there are many outdoor advertising signs that are reported on property tax returns other than those identified here.

Property tax credits under this bill would reduce property tax collections for the local civil taxing units and school corporations that provide services to the areas where the signs are located.

State Agencies Affected:

Local Agencies Affected: County auditors; Local civil taxing units and school corporations.

Information Sources: LSA Property Tax Databases.

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