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Via email

Chair Craig P. Roussel
Commissioner Allen D. Leone, Sr.
Commissioner Gregory P. Romig
Commissioner Kevin D. Guidry
Commissioner Brett K. Frazier

Re: Tax Commission Rule Amendments Proposed by the Louisiana Assessor's Association

Dear Chair Roussel and Commissioners:

On behalf of the Council On State Taxation (COST), I respectfully submit these comments on the draft amendments to Part V of Title 61 of the Louisiana Administrative Code proposed by the Louisiana Assessor's Association (LAA). As drafted, the proposed amendments would impose more restrictions on the Louisiana Tax Commission's (the Commission) ability to review evidence to ascertain the fair market value of a disputed property valuation. And while Louisiana law does not give the Commission full *de novo* review of an assessment, the proposed changes only make the Commission's review process more restrictive. COST is also concerned with the proposed restrictions on taxpayer/property owners challenging the valuation tables when those tables fail to achieve fair market value. Additionally, the Commission should be authorized to utilize (in addition to the IAAO mass appraisal techniques) the Uniform Standards of Professional Appraisal Practice (USPAP) when it is independently appraising real property.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business, many of which have substantial property interests in Louisiana. COST's mission is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

COST's Policy Position on Fair and Equitable Property Tax Systems

The COST Board of Directors has adopted a formal policy position on Fair and Equitable Property Tax Systems¹. COST's policy position is:

State and local property tax systems must be fairly administered and tax burdens equitably distributed among taxpayers. A property tax system that is inefficient or that disproportionately falls upon business is not equitable and will negatively impact a state's business tax climate.

Critical to a fairly administered property tax system are centralized review and uniform appeal procedures. This includes the requirement that "[d]ecisions of local property tax review boards should be subject to a *de novo* review by an independent tribunal, preferably one that has statewide jurisdiction and an expertise in property taxation." While the Commission's full ability to conduct a *de novo* review is limited by the State's law, the LAA proposed changes unduly restrict the Commission's ability to evaluate evidence needed to determine a property's fair market value.

The proposed amendment to §3103.D.7 specifically authorizes the Commission to use the International Association of Assessing Officers (IAAO) Mass Appraisal Techniques; however, it fails to authorize the Commission to utilize another valuable source, the Uniform Standards of Professional Appraisal Practice (USPAP). The Commission is independently appraising real property that is the subject of an appeal and should not be limited to one association's valuation practices.

Additionally, COST does not see any reason why §2501.F should be deleted (along with the proposed change to Chapter 3, §307). A taxpayer/property owner still bears the burden of proof to prove the valuation tables do not achieve fair market value.

Lastly, states are continuing to grapple with how residential property that may also be used for short-term and/or long-term rentals should be valued and whether they qualify for certain exemptions. The concern with the proposed change (Chapter 1, §101.F.3.i) is that it would apply to any rentals "at any time throughout the year." It is recommended that *de minimis* rentals be excluded from the proposed denial of the homestead exemption, which could be based on day calculation.

COST's Property Tax Administration Scorecard

COST and the International Property Tax Institute (IPTI) regularly publish a Scorecard² that ranks objective procedural practices of a jurisdiction's tax administrative practices. The rankings are not a direct reflection of the competence of assessors or other officials in a particular

¹ This policy position is available at: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/mucr-policy-statement-final.pdf>

² COST/IPTI 2019 "Best and Worst of International Property Tax Administration" is available at: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/2019-international-property-tax-scorecard---final-june-20.pdf>

jurisdiction; the grade given to a jurisdiction generally reflects the laws, regulations and administrative practices of that jurisdiction. In the most recent Scorecard issued in 2019, Louisiana received an overall grade of D+ and a Procedural Fairness grade of F. Since the publication of the last Scorecard, the State has made several reforms to its property tax system, which may improve its procedural and overall grades. However, changes proposed by the LAA that would limit the ability of the Commission to conduct fair reviews are a move in the wrong direction and may drive down Louisiana's overall grade.

Conclusion

COST respectfully suggests that the LAA proposed rule amendments that limit the ability of the Commission to fairly conduct its reviews should not be adopted. If you have any questions or would like to discuss these comments further, please do not hesitate to contact me.

Sincerely,



Leonore F. Heavey

CC: COST Board of Directors
Patrick J. Reynolds, President and Executive Director