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Louisiana Election 2015: Should Governments Pay Taxes to Other States?

Louisiana is letting voters decide whether local governments should be allowed to tax property in their borders that's owned by other governments.

For four years, West Carroll Parish in the northwest corner of Louisiana billed the Memphis Light, Gas, and Water Division about \$100,000 per year in property taxes for storing some of its natural gas in the parish limits.

But in 2013, Memphis stopped paying its bill. The Tennessee city argued that the natural gas storage site was government-leased property and used for a public purpose and therefore exempt from a property tax. Two years and a few court battles later, West Carroll Parish lost the argument and had to refund Memphis more than \$400,000.

The problem? Louisiana's constitution doesn't clarify that the public-use exemption only applies to property owned by a Louisiana government, so outside state and local governments don't have to pay a tax either.

Many state exemptions are silent about this issue. Only 11 expressly allow local governments to tax property that's owned by another government, according to the Lincoln Institute on Land Policy. The bad news for Louisiana is that it is literally surrounded by states that do specify that other state and local governments have to pay property taxes in their state.

The state is trying to remedy the situation with a proposed constitutional amendment that would allow Louisiana to tax property owned by out-of-state governments like the Memphis utility.

"This will basically level the playing field for Louisiana and mirrors the current law in Texas, Arkansas, Mississippi and Tennessee," said State Rep. Charles Chaney, whose district includes West Carroll Parish.

Among the handful of states with laws about this issue, Ohio has a unique approach. Its law says that property in Ohio used for public purposes out-of-state can be tax-exempt only if that state can offer Ohio the same exemption.

Chaney said he won't push for the issue again if the ballot measure fails next month. Still, he's concerned the measure won't survive voter fatigue — Louisiana voters must choose a new governor, state legislators and other local officers. By the time they get to the statewide ballot measures, voters could be more inclined to vote "no" or leave the box blank, rather than decide for the measure on its merits, said Chaney.

"It's a down ballot issue and placement and that is very worrisome to me," he said.

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BY LIZ FARMER | SEPTEMBER 29, 2015

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