

Louisiana Industrial Ad Valorem Tax Exemption Program (ITEP)



August 23, 2017



The Program

- The Louisiana Industrial Ad Valorem Tax Exemption Program (ITEP) is a state program which offers tax incentives for manufacturers within the state.
- The authority for these exemptions can be found under Article 7, Section 21 (F) of the Louisiana Constitution.
- The program as defined in the Constitution abates, up to ten years, local property taxes (Ad Valorem) on a manufacturer's new investment and annual capitalized additions related to the manufacturing site, with approval of the Governor.



The Program (continued)

- The exemption applies to all improvements to the site and facility, buildings, machinery, equipment, and any other property, that is part of the manufacturing process.
- The program is administered by the Louisiana Board of Commerce & Industry (C&I) through the Louisiana Department of Economic Development.

Program Changes



An executive order from the Governor's Office effective June 24, 2016 made changes to the program as follows:

1. A commitment to job creation baselines.
2. Approvals required from local government.
3. Maintenance or replacement capital is no longer eligible.
4. Advanced notification requirement.
5. New contracts having an initial term for five years and providing for an exemption of up to 100% will only be renewed for three years and will be limited to an exemption of up to 80%.



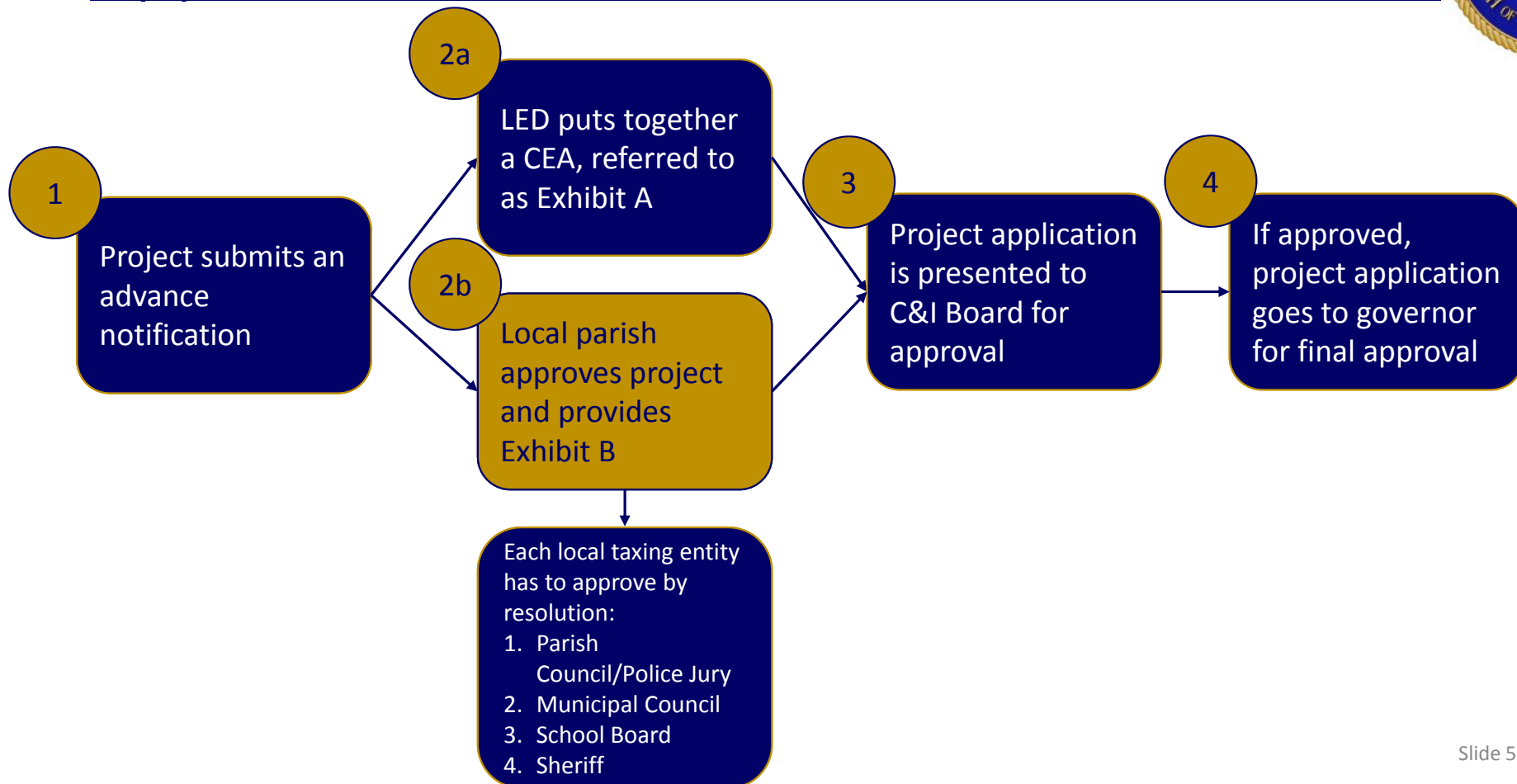
The Contract

All companies must enter into a Cooperative Endeavor Agreement (CEA) with LED in order to have their ITEP contracts approved by the Governor. Contracts must include:

- Exhibit “A” consisting of a Cooperative Endeavor Agreement between the State of Louisiana, LED, and the Applicant. This includes the provision for the creation and retention of jobs with respect to the manufacturing project.
- Exhibit “B” consisting of approvals in the form of a resolution of the relevant governing authority such as Council, School Board, or Sheriff indicating support of the project.



Approval Process

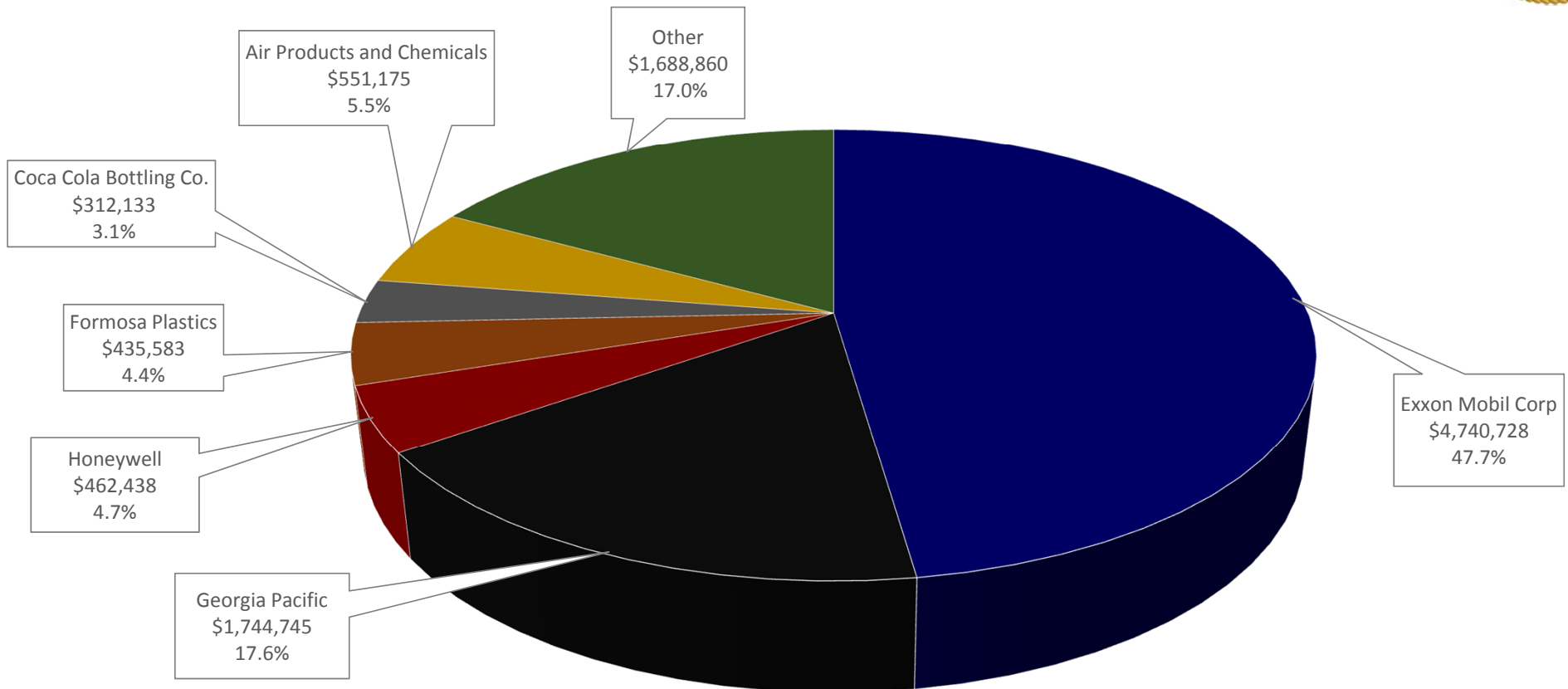


Financial Reporting Rules on Tax Abatements

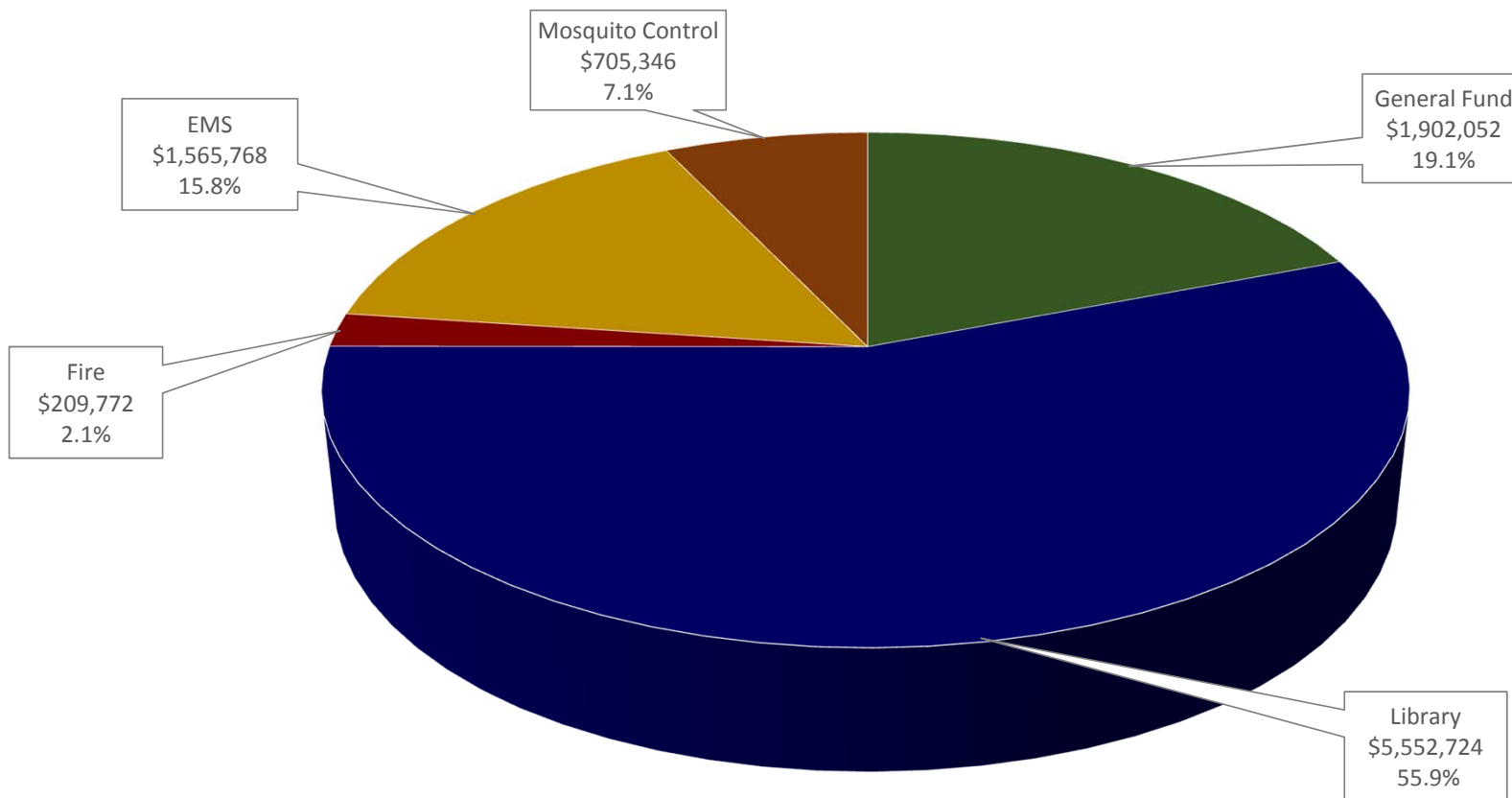


- On August 15, 2015, the Governmental Accounting Standards Board (GASB) issued Statement #77 requiring state and local governments to disclose tax abatements in their Comprehensive Annual Financial Report (CAFR).
- The 2016 City-Parish CAFR note on the Industrial Tax Exemption Program (ITEP) stated that for the fiscal year ended December 31, 2016, Ad Valorem Taxes estimated on a depreciated value of approximately \$9,935,662 were abated as a result of the ITEP.

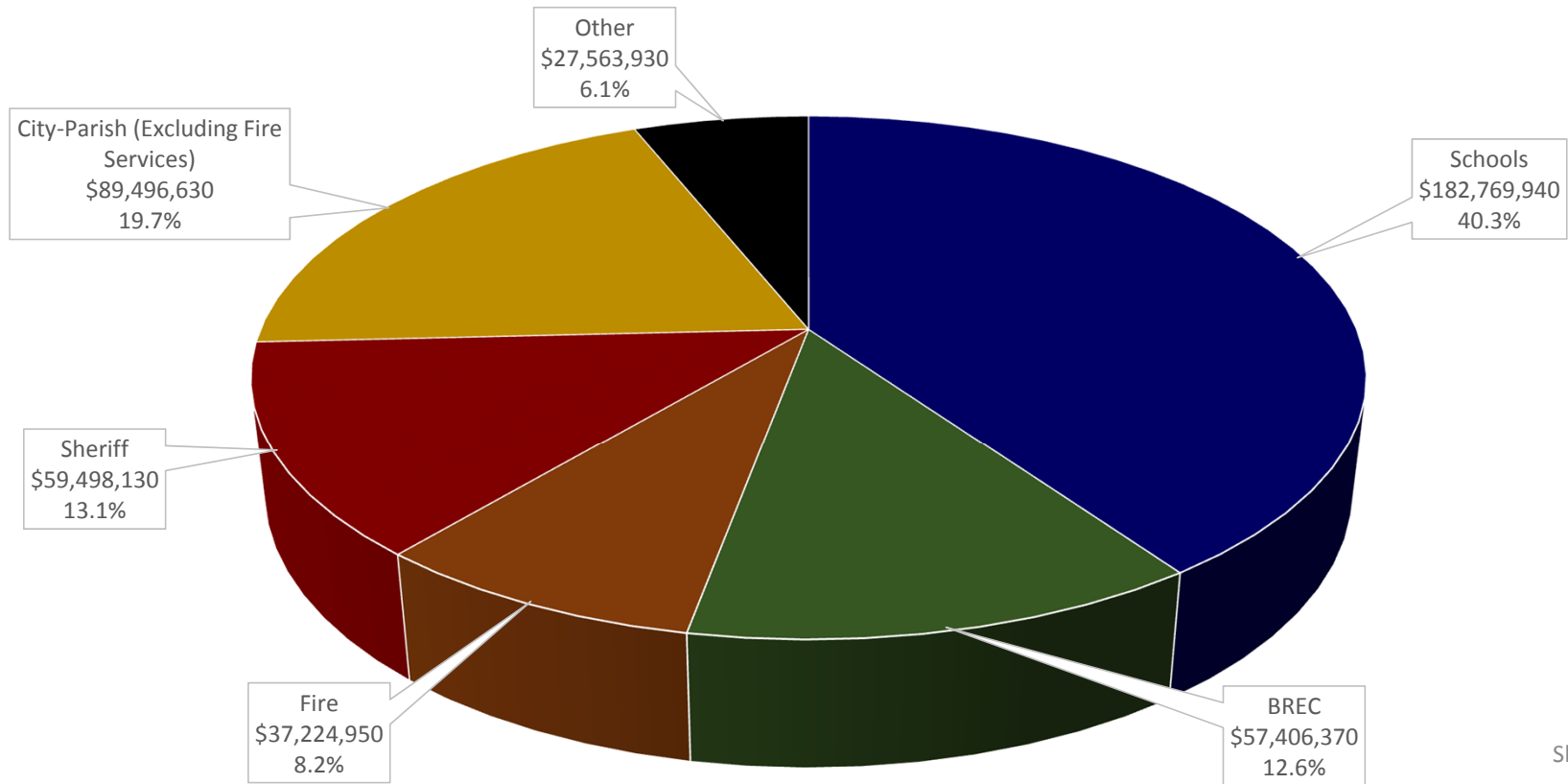
2016 Ad Valorem Tax Abatements \$9,935,662 – By Company



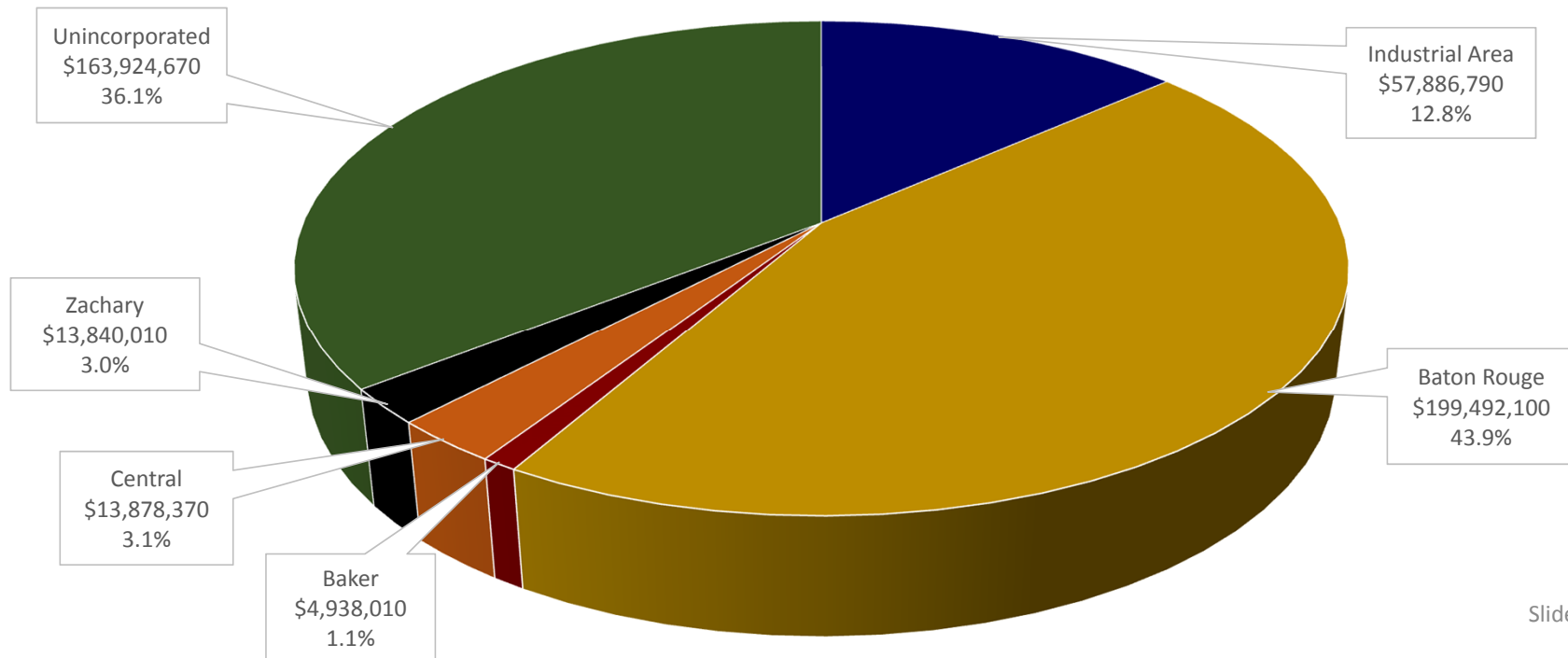
2016 Ad Valorem Tax Abatements \$9,935,662 – By City-Parish Agency



East Baton Rouge Parish 2016 Property Taxes – By Jurisdiction \$453,959,950



East Baton Rouge Parish 2016 Property Taxes Paid By Businesses & Residents by Area \$453,959,950



2016 Local Sales & Use Tax Collections

Manufacturing Sector

(Excluding motor vehicle taxes)



Food Manufacturing
Beverage & Tobacco Product Manufacturing
Textile Product Mills
Paper Manufacturing
Petroleum & Coal Products Manufacturing
Chemical Manufacturing
Plastics & Rubber Product Manufacturing
Miscellaneous Manufacturing

\$44,732,268
8.6%

\$518,146,003
Total Sales & Use
Tax Collections