

July 2, 2018

Re: Industrial Tax Exemption Program (ITEP) – Summary Report

To Whom It May Concern:

The Department of Economic Development hereby announces its plan to proceed with rule-making by finalizing the ITEP Rules published as a Notice of Intent in the May 2018 Louisiana Register. Late last year, Governor Edwards directed LED to research and identify process improvements to the Industrial Tax Exemption Program (ITEP) following two 2016 Executive Orders and corresponding ITEP Rules implementation in June 2017, that altered key components of the economic development program. With the goal of retaining accountability and local voice, while also moving in a direction of improved certainty and a more streamlined approval process, LED conducted an extensive program review, including dialogue with Louisiana local government officials, business and industry associations and interested non-governmental organizations.

Three public hearings were held to discuss and receive comments on the proposed rules. The first was conducted by the Board of Commerce and Industry on May 22, 2018. A second public hearing was conducted by the Department of Economic Development on June 22, 2018. Most recently, the Board of Commerce & Industry received additional input and voiced its approval of the proposed rule changes at its June 27, 2018 meeting. See link to LED video archives for both hearings: <https://www.opportunitylouisiana.com/boards-reports-and-rules/louisiana-board-of-commerce-and-industry>

The hearings were well attended, including representatives from the economic development community, local governmental entities, trade associations, community based organizations, industry and members of the public. Written comments were also received from numerous interested parties¹.

The overwhelming response from both public testimony and the written comments was supportive and the rule changes to be adopted, as written. Over two hundred representatives and individuals from private business stakeholders provided written and oral comments in support of the rules, reiterating how good corporate citizens provide immense value to the state in the form of well-paying jobs through many worthy economic development projects supporting local communities throughout Louisiana. These representatives and individuals also reiterated the need for certainty and predictability in the regulatory environment. Similarly, all regional economic development leaders and several local economic development leaders and local government officials expressed overwhelming support for the proposed changes, as written.

¹ Full packet of all written comments received, attached.

Concern was expressed that the continued potential of creating multiple taxable values for one assessment would be a practical challenge for assessors, but it was also acknowledged that the proposed rule changes reduces the number of variable taxable values compared to the current rules. LED staff will work with assessors and the tax commission to do what they can to alleviate this concern.

Some also expressed concern over elements of the rules that were not identified for change at this time. For example, various commenters had differing opinions on how the Return on Investment (ROI) analysis is being implemented as provided by the present rules. Also, a couple of municipalities suggested that LED reconsider different approaches all together, such as a “local approval option first” or a return to “variable abatements” and one organization requested that school districts be taken out of ITEP completely to leave more funding available for local school districts. Finally, several stakeholders, while supporting adoption of the proposed rule changes imminently, also made suggestions for LED to consider for future, additional changes to the program’s rules. Given the overwhelming support for the proposed rule changes to be adopted, as-is, and the lack of a consensus from stakeholders on outstanding issues, LED respectfully declines to make further revisions to the proposed rules based on these comments at this time. However, LED will contemplate additional changes based upon these lingering concerns after the proposed rules are implemented for an appropriate amount of time.

LED appreciates the knowledgeable input from all interested parties, and agrees with many of the comments received regarding the possibility of future refinements. However, such revisions would incur additional time delays pursuant to APA promulgation procedures, possibly resulting in lost business attraction and economic development expansion opportunities for the State. After consideration of all input, including the Board of Commerce & Industry’s approval of the proposed rules, LED therefore proposes **to proceed as is with no further changes**, and has notified all identified interested parties of its plan to move forward with finalization of the proposed rules.

Subject to legislative oversight by either the House or Senate Committees on Commerce, the Department intends to submit for final publication as a Rule in the August, 2018 Louisiana Register.

Sincerely,

Tam Bourgeois
Executive Counsel

cc: Senate, Committee on Commerce, Consumer Protection, and International Affairs
House of Representatives, Committee on Commerce