

PROPOSED PROCESS IMPROVEMENTS FOR LOUISIANA'S INDUSTRIAL TAX EXEMPTION PROGRAM (ITEP)

APRIL 25, 2018

Built into Louisiana's Constitution, the Industrial Tax Exemption Program (ITEP) serves as one of the state's strongest incentives for manufacturing investment and employment growth. Four out of every five states offer a similar program, which makes ITEP key to Louisiana's ability to continue to win new jobs and capital investment.

Late last year, Governor Edwards directed Louisiana Economic Development (LED) to research and identify process improvements to the Industrial Tax Exemption Program following two 2016 Executive Orders that altered key components of the economic development program. Rules have been in place at the Louisiana Board of Commerce and Industry for nearly a year, reflecting the principles expressed in the governor's Executive Orders.

Taking a thorough and comprehensive approach, LED conducted an extensive program review, including dialogue with several key stakeholders such as Louisiana governmental entities, trade associations and non-governmental organizations. LED gathered input on how the ITEP program could retain the enhanced features of accountability and local voice while also moving in a direction of improved certainty and a more streamlined approval process.

Based upon that research, analysis and dialogue, the following ITEP process improvements are being introduced at the April 25, 2018 meeting of the Board of Commerce and Industry:

1. **Streamline the agreement between the applicant and the state (maintaining accountability).**

LED conducted an extensive review of the agreement between the applicant and LED, also known as Exhibit A, and proposes a streamlined agreement that seeks to more efficiently capture the applicant's obligations (capital investment, jobs and payroll to be created and/or retained, number of years, and exemption percentage) throughout the years of the exemption.

2. **Allow for company assets to be placed on local tax rolls sooner but also preserve an attractive abatement yield for Louisiana to continue to successfully recruit, retain and expand industry.**

LED proposes returning to an ITEP term of 10 years (in the form of two five-year terms) at up to an 80 percent property tax abatement level. This improvement will allow at least 20 percent of the assessed value of company assets to be placed on the tax rolls from the beginning of operations, providing tax revenues to parishes immediately. Applicants who file on Advance Notification between June 24, 2016 and July 1, 2018 would have the option of choosing whether to proceed under the rules effective June 20, 2017 or the rules being contemplated now.

3. **Create a more efficient approval process for all parties while retaining the important feature of a local voice**

LED proposes that local approval of ITEP applications be re-aligned as follows:

- a. After filing an Advance Notification, the applicant will submit its application and the agreement (Exhibit A) to the Louisiana Board of Commerce and Industry. The board, using LED staff resources, will review the application and Exhibit A for compliance with program rules and applicable laws. The board will then take action on the application.
- b. For applications approved by the board, LED will provide notice to all applicable local governmental entities and post the notice on LED's website.

- c. Upon notice, local governmental entities (parish council, police jury, municipality, sheriff, school board) will have 30 days to initiate further action on the application by placing the issue on a public meeting agenda for consideration or, for the sheriff, issuing a letter of approval or denial.
- d. Once on an official meeting agenda, the local governmental entity has an additional 30 days (or no more than 60 days from receipt of the notification) to approve or deny the application.
- e. If a local governmental entity does not take timely action, then the application will be considered approved by the entity.
- f. In this way, a local governmental entity can “opt in” or “opt out” of the ITEP exemption.

The goal of these process improvements is to simplify and streamline the ITEP application process both for program applicants, which seek predictability and certainty, and for local governmental entities, some of which have been challenged by how best to exercise their judgment on ITEP applications.

The rulemaking process for these proposed program improvements will begin immediately, with the expectation that revised rules can be in place by September 1, 2018.

