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Together Louisiana releases study on Industrial Tax Exemption Program

Findings show:

- Louisiana has the only program in the nation in which a State board gives away local tax revenue, without approval from local governments losing the funding.
- Current local tax revenue re-directed to subsidies is \$16.7 billion over 10 years (an average of \$1.67 billion per year).
- Public subsidies total \$535,343 per job created.
- During and after the Deepwater Horizon spill, BP received \$9.4 million in public subsidies from Louisiana taxpayers. We are still paying those subsidies today.
- Louisiana's top 5 releasers of toxic chemicals are each receiving public taxpayer subsidies, totaling \$506 million.
- Under the constitution, the Louisiana Governor has the authority to overhaul the industrial tax exemption program, as he deems to be in the best interest of the state.

June 20th, 2016 – Together Louisiana is releasing the most in-depth study of Louisiana's Industrial Tax Exemption program to date.

Under the Industrial Tax Exemption Program, or ITEP, the Louisiana State Board of Commerce and Industry offers exemptions from property taxes to manufacturers who replace their equipment or expand their operations. The exemptions are from local property tax revenue – funding that would go to local school districts, parishes, cities and other local entities. However, a state board, the Board of Commerce and Industry, makes the decisions on the subsidies, without the approval of the local entities who are losing the funding.

The program currently redirects a total of \$16.7 billion in property taxes over 10 years from local governmental entities to corporations – an average of \$1.67 billion per year -- making it, according to the study, the single largest program of state subsidies to corporations in the nation.

The study, which includes an analysis of the cost to every parish and a breakdown of foregone revenue for each public service with a dedicated millage, is available at www.togetherla.com.

The study also shows how the program can be reformed, which turns out to be easier to accomplish than virtually any other tax measure under discussion at the time. Recommendations for reform include:

- #1) For an exemption to be approved, each local governmental entity whose tax revenue is in question must approve the exemption.
- #2) Exemptions should be granted based on return-on-investment analysis, selecting only proposed investments that would not take place without the proposed subsidy (make the program an "incentive", not a "gift").
- #3) The amount and duration of exemptions should be brought into alignment with those offered by other states (e.g. maximum abatement 65% of property taxes owed).
- #4) School District taxes should not be subject to the exemption.

Download the full study at <http://www.togetherla.com>, including a cost breakdown by parish.

Top 10 Findings of the Together Louisiana analysis of Industrial Tax Exemption Program:

#1) Reforming the Industrial Tax Exemption Program is straightforward and achievable. The Louisiana constitution grants the Governor the authority to reform the program in whatever way he deems is “in the best interest of the state.”

#2) The Industrial Tax Exemption Program is the single largest program of state subsidies to corporations in the nation.

#3) The exemptions are not “incentives” in any meaningful sense, because they are automatic and non-discretionary, with no “return-on-investment” analysis, no requirement for job creation and no assessment of whether the investments would have taken place anyway without the subsidies.

#4) The program is the only example in the nation of a state board giving away the tax revenue of local governmental entities, without the approval of those entities.

#5) The public subsidy PER JOB created by the exemptions is \$535,343.

#6) The exemptions currently granted total \$16.7 billion over 10 years, an average of \$1.67 billion per year.

#7) During the Deepwater Horizon oil spill (2010), BP was receiving its first installment on \$9.4 million in industrial tax exemption subsidies. Those exemptions were renewed in 2014.

#8) The five companies with the worst record of toxic chemical releases Louisiana in 2014, which according to the EPA released more than 55 million pounds of toxic chemicals into our air, water and ground in 2014, are all receiving industrial tax exemption subsidies. Their taxpayer subsidy totals \$506 million.

#9) The amount of tax revenue lost to local school districts alone each year (\$587 million) is more than three times the amount it would take to implement universal pre-K statewide (\$185 million).

#10) The amount of industrial exemptions given away each year is 23 times as large as the current TOPS shortfall.