



## **Tax Fairness One Pager #3: “Industrial Tax Exemption”**

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 the single largest program of state subsidies to corporations in the nation.

### **Key Points:**

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.

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 investments would take place anyway without the subsidies.

The exemptions currently granted total \$16.7 billion over 10 years, an average of \$1.67 billion per year. 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). **The public subsidy PER JOB created by the exemptions is \$535,343.**

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.

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.

Under the Louisiana Constitution, the Governor has the authority to reform this program.

### **Recommendations for reform:**

#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.