The Louisiana 10-year Industrial Property Tax Exemption

A Summary of Descriptive Statistics

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In what context was the Industrial Property Tax Exemption created?

- Historical Timeline

1936	1938	1941	1946	1974
CREATED	Restricted to manufacturing	Expired	Reinstated	Continued in new State Constitution

- Economic Context in 1939 (U.S. Census):
  - 1,861 manufacturing establishments
  - 150,000 farms
  - 25,469 retail stores
  - 6,887 service establishments

What was the justification for an industrial tax incentive?

Department of Commerce and Industry, 1940 Report to Governor

> The fact that Louisiana is primarily an agricultural State does not eliminate the **need for industrial development**, but rather emphasizes the necessity, as many of our agricultural products can through industrial conversion be made to yield much heavier revenue to our people."

Louisiana Economic Development Committee 1944-46 report

> "One principal means of **creating additional employment** is open to us in the further development of Louisiana's natural resources to support new industries and new businesses which will provide jobs and payrolls. Our state has always been deficient in industrial plants and factories, and the war emphasized the need for them."

What was the impact of the program?

- 1940: State study of exemptions from 1938-40
  - 221 exemptions awarded
  - 23,115 permanent jobs
  - Gas & Petroleum created most jobs (>7,000)
  - Chemical created 4,000 jobs
  - Paper created over 3,000 jobs
  - Lumber created over 2,700 jobs
- Study Conclusion
  - Program successful in attracting new industry

What was the impact of the program?

- 1954: LSU study of exemptions from 1946-50
  - 609 exemptions going to 429 firms
  - 53% of exemptions were for new locations
  - 55% were for locally-oriented industries
  - 68% were for small projects
- Study Conclusions
  - Program neutralizes tax advantage of other states
  - Not a deciding factor for locally-oriented firms
  - Not a deciding factor for firms granted small subsidies

What was the impact of the program?

- 1979: LIDEA study of exemptions active in 1979
  - 2,947 projects, 52,509 jobs & $12.7 billion invested
  - 25% of manu. employees work in exempted plants
  - Chemicals and related industries dominate (40%)
- Study Conclusions
  - Impact on local government finances favorable
  - Capital intensive industries dominant
  - Labor intensive industries have high % of workers in tax-exempt facilities➔ program creates jobs

Snapshot of Today's Economy

Selected Industry Employment as Percent of Total Employment, 1999

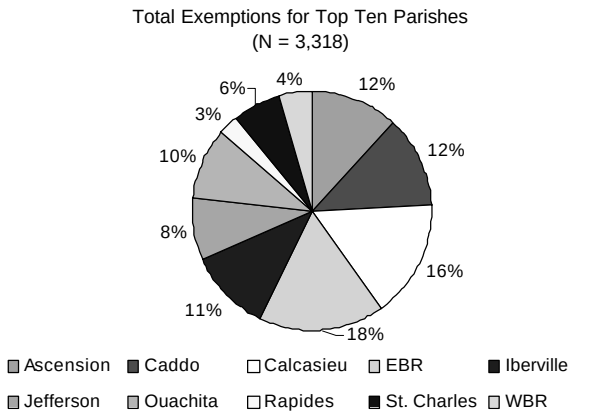
Industry	Number Employed	% of Total Employed	Avg 4th Qtr. Weekly Wage
Securities and Investment Companies	5,238	0.28%	> $1,700
Pipelines except natural gas	657	0.04%	$1,380
Petroleum and chemical manufacturing	38,993	2%	$1,267
Legal Services	18,567	1%	$1,255
Mining	46,366	2%	$1,019
Electronic and Electronic Equipment	4,992	0.27%	$1,085
All Services except Legal	690,824	37%	$506
All Retail Trade	358,902	19%	$294
All Other Industries	699,386	37%	$1,308
Statewide employment	**1,867,195**	**100%**	**$564**

Source: Department of Labor, 4th Quarter 1999 Parish Data from the Employment and Wages Quarterly Report

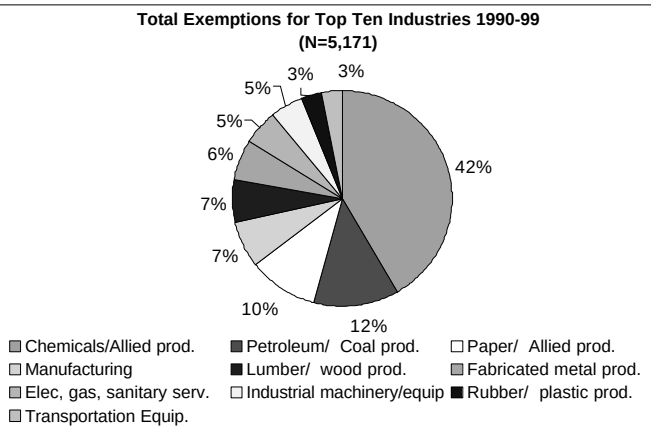
Exemptions Awarded from 1990-99

- 6,038 exemptions reported in 10-year period
- Based on detailed data on 5,851 exemptions
  - 20 parishes had 20 or fewer projects
    - Acadia, Avoyelles, Caldwell, Cameron, Catahoula, Claiborne, Concordia, E. Carroll, E. Feliciana, Franklin, Jefferson D., LaSalle, Madison, Red River, St. Helena, St. Tammany, Tensas, Vermillion, Vernon, and W. Carroll
  - Top ten parishes accounted for 3,318 of the 5,851 exemptions
    - Ascension, Caddo, Calcasieu, EBR, Iberville, Jefferson, Ouachita, Rapides, St. Charles, and WBR

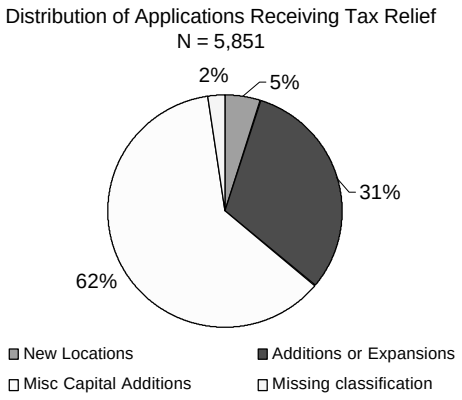
Where are most of the projects located?



What industries are more likely to use the program?



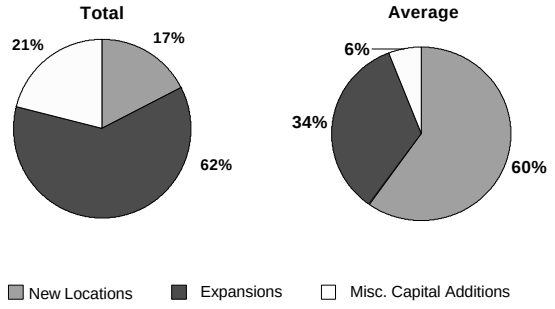
What is the most common type of application?



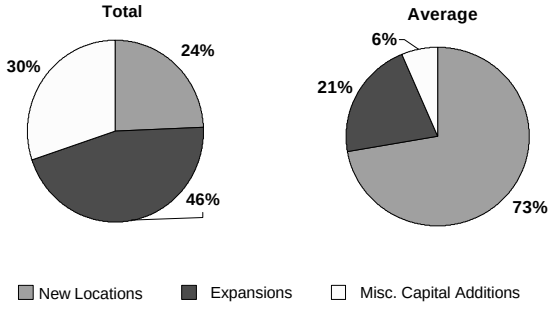
Exemptions Awarded by Type 1990-99

Type of project		Manufacturing Investment	Tax Credit over 10-yr period	Permanent Jobs	Total Jobs Created	Total Sales Tax over 10 years
New projects	total	$3,313,659,067	$432,857,345	9,737	38,158	$90,182,600
(292 applications)	average	$11,348,147	$1,482,388	34	131	$308,844
Expansion	total	$11,655,223,913	$1,604,662,990	18,172	158,311	$410,716,801
(1,803 applications)	average	$6,464,350	$889,996	10	88	$227,797
Misc. Capital	total	$4,039,173,382	$564,093,463	11,934	103,935	$229,009,106
(3,633 applications)	average	$1,111,801	$155,269	3	29	$63,036
Total projects	total	$19,277,484,099	$2,642,338,153	40,145	304,335	$739,054,387
(N = 5,851 applications	average	$3,294,733	$451,605	7	52	$126,313

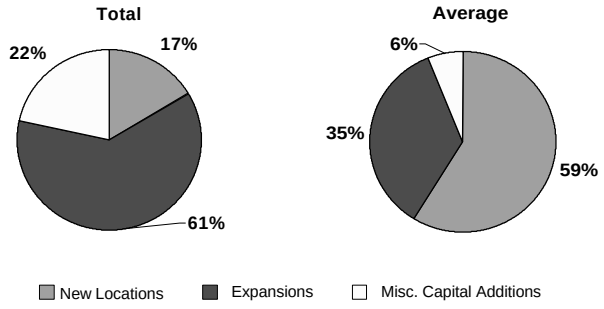
Investment by Type 1990-99



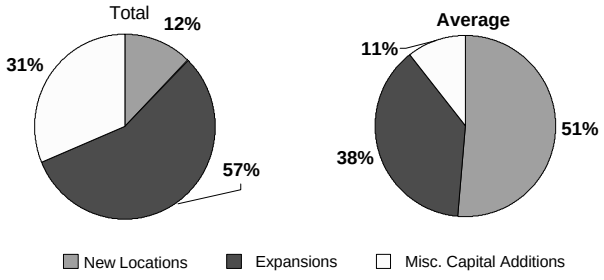
Permanent Jobs Created by Type 1990-99



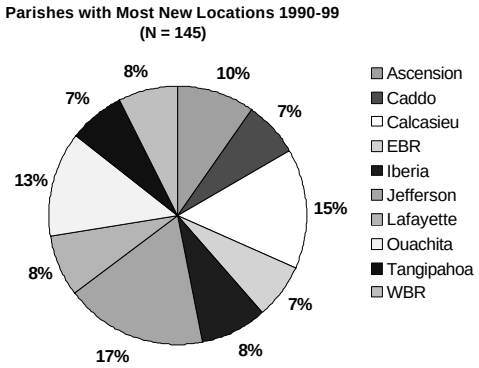
Tax Credit Awarded by Type 1990-99



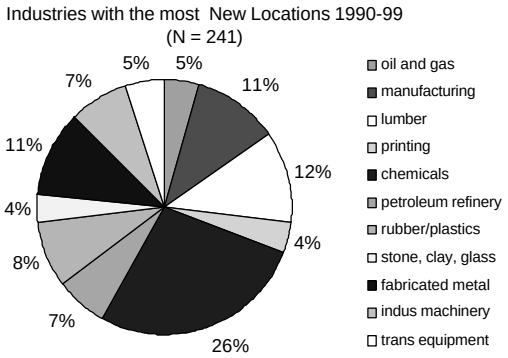
Total Sales Tax Paid by Type 1990-99



Which parishes have the most new locations?



What industries have the most new locations?



Does the program attract new investment in high-tech industries?

- American Electronics Association uses 45 SIC codes to identify high-tech sectors
  - e.g. Industrial Electronics, Electronic Components, Computers and Office Equipment, Consumer Electronics
- 70 exemptions awarded to high-tech in 1990-99
  - 5 new locations
  - 20 expansions
  - 45 miscellaneous capital additions

Does the program attract new investment in high-tech industries?

- Exemptions for high-tech companies generated
  - $64 million in investment
  - 983 new jobs, nearly 1/2 permanent jobs
  - $4.8 million in sales tax revenue
  - $11.1 million in tax credits awarded
- Old Economy versus New Economy
  - Old economy = heavy manufacturing
  - New economy = ideas, knowledge, services, higher-order skills

Conclusions

- While on average new facility locations produce more jobs & investment, the program attracts few new facilities
- Exemptions are concentrated in certain industries and areas
- The program does not foster growth of high-tech industries