



ITEP OVERVIEW AND HISTORY

NOVEMBER 2022

OVERVIEW OF THE INDUSTRIAL TAX EXEMPTION PROGRAM (ITEP)

- ITEP is Competitive
- ITEP is Focused
- ITEP is Transparent

THE INDUSTRIAL TAX EXEMPTION PROGRAM (ITEP)

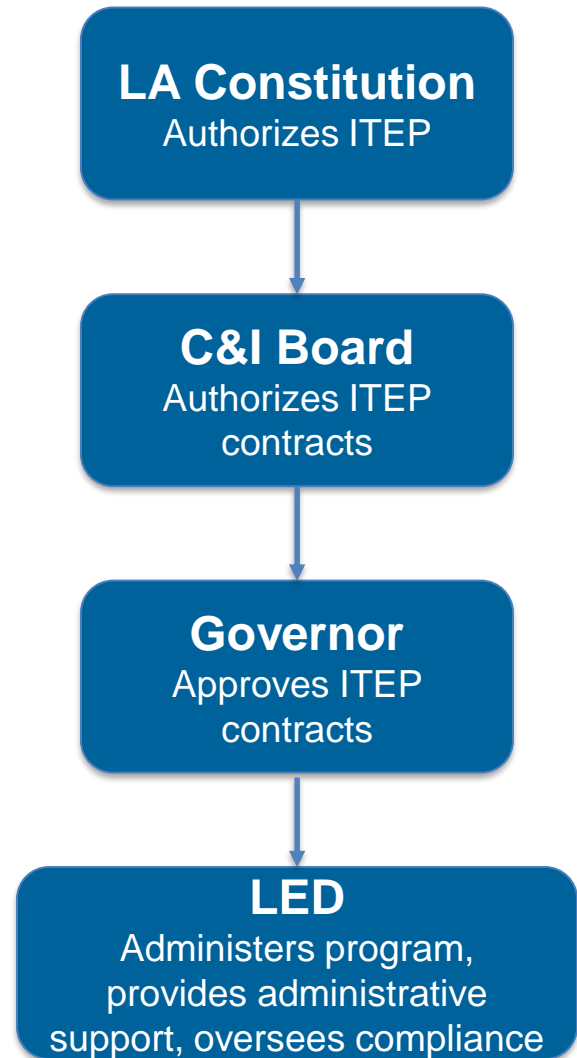
ITEP is a constitutionally authorized state incentive program, which offers a property tax abatement for manufacturers who make a commitment to jobs and payroll in the state. (Focused) The program provides an 80% property tax abatement for all approving local taxing entities for an initial term of five years and an option to renew for five additional years at 80% for qualifying capital investment related to the manufacturing process. (Competitive)

What ITEP Is	What ITEP Is Not
<ul style="list-style-type: none">• Set up in the Constitution in 1936, with final approval of contracts coming from the Governor• A tool to secure investment for the state that requires local approval• A tax abatement or exemption on manufacturers' property taxes, for NEW investment, for up to 10 years• <u>Only</u> impacts local property taxes• A performance-based program, that requires companies to document fulfillment of their job and payroll commitments to receive benefits	<ul style="list-style-type: none">• A cash payout of state or local funds• A reduction of existing property tax revenues• The only property tax abatement program in the country. Most states offer a similar property tax abatement incentive

An ITEP approval will provide up to an 80% abatement for up to 10 years for the company, and an immediate new 20% revenue stream to local government.

ITEP CREATION AND ADMINISTRATION

1. **LA Constitution Article VII, Section 21(F)** authorizes State Board of Commerce and Industry to enter into contracts to exempt property taxes for new or expanding manufacturers, now called ITEP
2. **State Board of Commerce & Industry (C&I)** authorizes ITEP contracts
3. **Governor** must approve ITEP contracts
4. **LED** provides administrative support to the C&I, assists in drafting of the program rules, and oversees compliance with the program rules



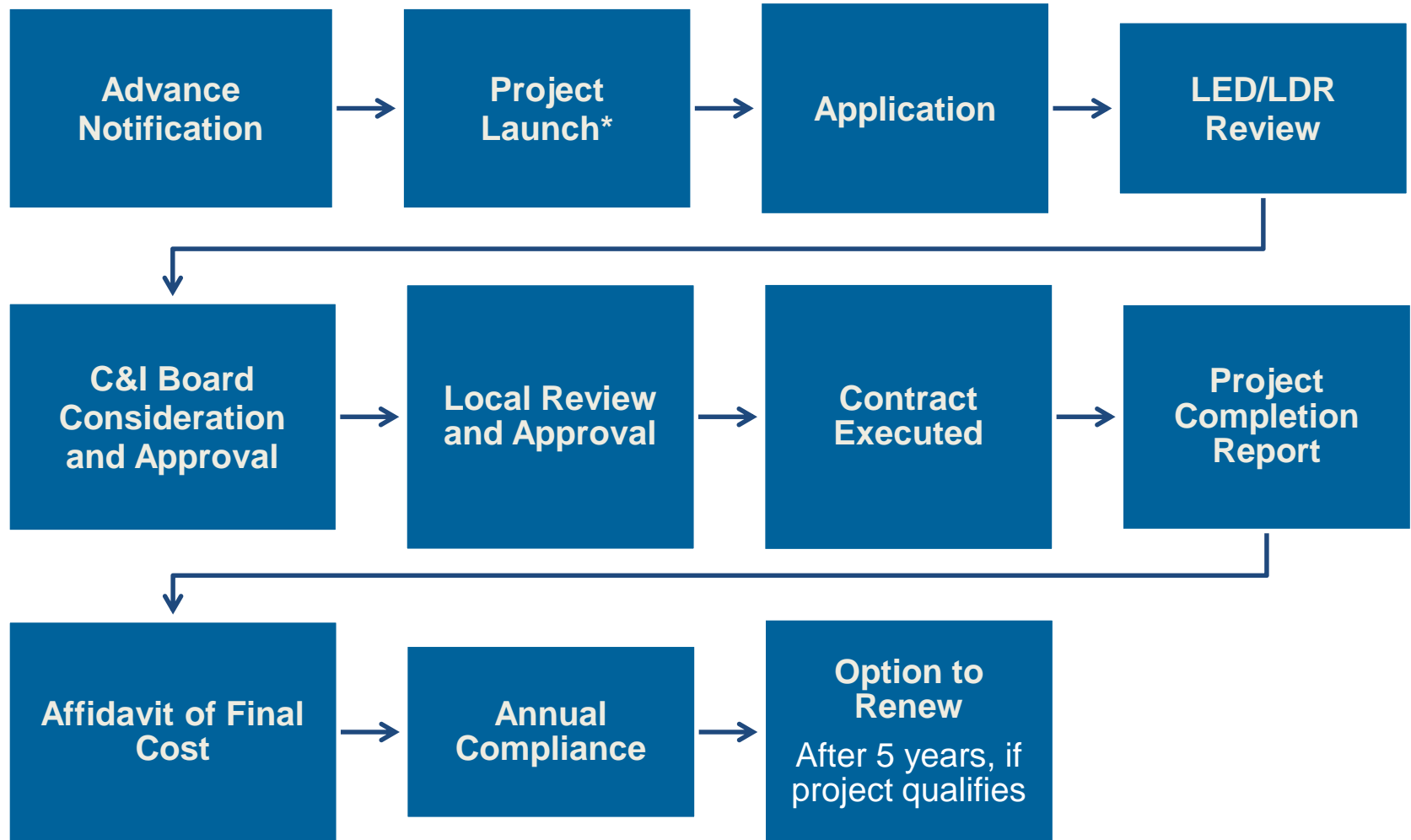
ITEP EVOLUTION TIMELINE

Year	Changes Made
1936	<ul style="list-style-type: none"> • ITEP was enacted in the Constitution* • 100% exemption for 5 years with a 100% 5 year renewal • Virtually unchanged for the next 80 years
2016/2017	<ul style="list-style-type: none"> • Governor JBE amended ITEP via executive orders 2016-26 and 2016-73 • Required advanced notification before project construction began • 100% exemption for 5 years with an 80% 3 year renewal • Introduced local approval for the first time, with locals required to approve before C&I Board** approved • Required job creation/retention benchmarks for approval
2018	<ul style="list-style-type: none"> • ITEP amended to an 80% exemption for 5 years with an 80% 5 year renewal • Approval was reversed, with C&I Board approving applications first, followed by local approval, streamlining the process for companies

*Act 68 of 1936 provided for 10-year property tax exemptions for new industries or additions to existing industries with approval of the Governor and Commerce and Industry Board. Ten-year exemption programs for manufacturers or industries were also provided for in the Louisiana Constitution of 1879 Art. 207 and Louisiana Constitution of 1898 Art. 230. In addition, Act 5 of 1930 allowed local governments to grant five-year exemptions for industries with voter approval, and Act 65 of 1936 extended the term to 10 years.

** Louisiana Revised Statute (R.S.) 51:923(A) established the C&I Board and fixes its membership at 24, with 15 members representing major economic groups, and the remainder representing state and local government.

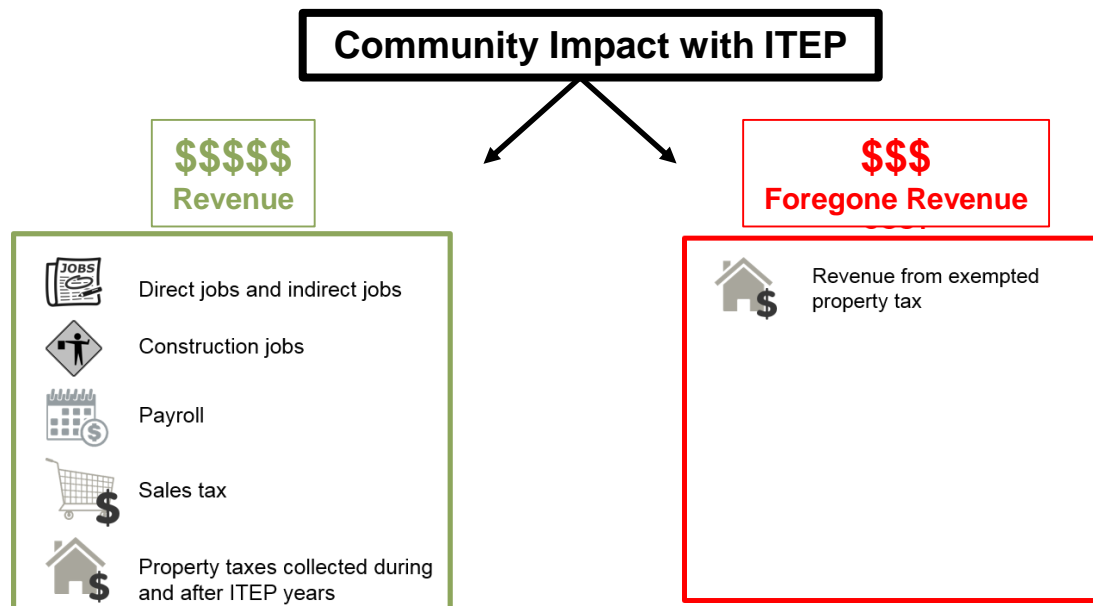
ITEP APPLICATION PROCESS TODAY



*Project can begin after the Advanced Notification has been filed, but most companies wait until after local approval

ITEP COMMUNITY IMPACT ANALYSIS

To fully evaluate the community impact of a project, all of the costs and benefits must be considered. For ITEP, some make the mistake of only including property taxes paid as a benefit, but the graphic below illustrates there are many other benefits to local governments that should be considered.



After the up to 10 years of property tax abatement, the benefits gained generally outweigh the initial foregone revenue.

ITEP: MYTH VS. REALITY

- **Myth:** Without the ITEP program, just as many companies would invest, relocate or expand their businesses in the state as they do now.
- **Reality:** **Four of every five states** offer a similar incentive, which makes the program key to Louisiana's ability to remain competitive for new jobs and capital investment. In fact, without ITEP, Louisiana's tax burden for capital-intensive manufacturing is ranked approximately **43rd in the Tax Foundation's 'Location Matters' report**. This would mean that **manufacturers would bear a very heavy tax burden in Louisiana, making them less likely to make investments in the State**.
- **Myth:** If locals deny ITEP contracts, there will be more money for local schools, local government and local law enforcement and an improved quality of life for communities overall.
- **Reality:** Individual communities have to maintain a competitive edge, as discussed above. It is reasonable to assume many companies will choose to invest in communities that offer property tax abatement incentives. So, with ITEP, a community can expect a growth in tax revenue from a project, as evidenced by the community impact analyses. Without ITEP, that community is risking NO growth in tax revenue from a project.
- **Myth:** Louisiana can eliminate or drastically reduce its incentive and still reap the same rewards (direct and indirect job creation, construction job creation, increased payroll, sales tax growth, sales tax revenue growth).
- **Reality:** The true "opportunity costs" of ITEP are the benefits that local residents would never realize without competitive incentives that allow Louisiana to compete in the global economy.



CONTACT

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