

Inventory Tax Basics

- Ad valorem tax powers are contained within the Louisiana Constitution of 1974, Article VII.
 - There is no explicit law or statute establishing an “Inventory Tax”
- Inventory Tax Credit - LA RS 47: 6006 (1991):
 - Credit against any state income or corporation franchise tax for ad valorem inventory taxes paid.
 - 2019 fiscal notes estimated a \$443M impact of the inventory tax credit.
- HCR 11 and SCR 6 Task Force Findings
 - HCR 11 – 10-Year phaseout of inventory tax with revenue offsets to local government.
 - SCR 6 - Repealing the inventory tax without a replacement revenue source is not a viable option

Potential Exemption of Inventory Tax

Adjusted Millage Rates

- **Bond Millages**
 - Must roll forward automatically to generate sufficient revenue.
- **Remaining Millages**
 - LA Const. Art. VII Section 23(B) - Subsequent Adjustments

Fixed Millage Rates

- Revenue to tax districts would be reduced in proportion to the percentage of taxable inventory.

Impact to Taxing Districts - Inventory Exemption

2020 Data - Assumes single parish wide millage for all property classes

Jurisdiction	2020 Inventory Percentage	Revenue Loss – Ad Valorem Tax
St. James	23.3%	-23.3%
W. Baton Rouge	24.8%	-24.8%
St. John	19.6%	-19.6%
Assumption	21.6%	-21.6%
St. Bernard	16.5%	-16.5%
St. Charles	14.5%	-14.5%

Loss of Revenue Detail – Inventory Exemption

St. Charles Parish – 14.5% Inventory

- *Assumes automatic rollup of bond millages.*

St. Charles Parish Taxing District	2020 Actual Tax	2020 Inventory Exempt Tax
Public Schools	\$94,846,166	\$82,348,138
Sheriff	\$36,706,963	\$31,392,531
Parish Council	\$51,148,211	\$44,274,911
Hospital	\$9,508,430	\$8,910,002
Assessor	\$2,228,273	\$1,905,663
Total	\$194,438,043	\$168,831,245

Impact to Homeowners: Inventory Exemption

Tax Due: Revenue Neutral Millage Rates

Home value of \$280,000, Homestead Exempt.

2020 Data – St. Charles Parish – No Levee Taxes

2020 – St. Charles Parish

Inventory Percentage 14.5%

2020 Tax Amount \$2,343

Inventory Exempt Tax Amount \$2,740

Homeowner Tax Increase % 16.9%



Inventory Exemption
Tax Due: Revenue Neutral Millage Rates



Valero Refining – St. Charles Parish			
<i>2020 – Inventory Taxable & State Credit (117.5 Mills)</i>		<i>2020 – Inventory Exempt (133.6 Mills)</i>	
Real Estate	-\$	Real Estate	-\$
220,431		251,385	
Personal Property	-\$ 10,920,032	Personal Property	-\$
Inventory	-\$	12,453,484	
5,489,361		Inventory	-\$
State Tax Credit*	-\$ 15,429,325	0	
		Total Ad Valorem	-\$ 12,453,484
		Total Liability	
	\$11,140,464	\$12,453,484	

**Note – Assumes a corporate income or franchise tax liability greater than \$5.5M*

Inventory Exemption

*Tax Due: Revenue Neutral Millage Rates – Small Business
Theoretical Hardware Store – 2020 Taxes*

2020 Tax Incidence



2020 Millage	114.31
2020 Tax	\$11,958.94
Credits	(\$5,923.97)
2020 Incidence	\$6,034.97

Inventory Exempt Tax Incidence



Inv. Exempt Millage	133.66
Inv. Exempt - 2020 Tax	\$7,056.63
Credits	\$0.00
Inv. Exempt Incidence	\$7,056.63

**Note – Assumes 100% tax credit under LA RS 47: 6006*

ITEP – Miscellaneous Capital Additions

- Original ITEP Rules
 - Miscellaneous Capital Additions (MCA): class of ITEP projects that were an accumulation of capital assets placed in service during the previous tax year. Individual exemptions were limited to \$5,000,000. However, companies could apply for multiple MCA exemptions in the same year.
 - MCA Contracts were eliminated from consideration in 2016.

Taxable Cost Added by Year (MILLIONS)

Company	2015	2016	2017	2018	2019	2020
A	22.3	38.7	16.8	13.4	18.5	38.7
B	8.6	12.4	13.2	25.5	25.8	26.7
C	70.7	32.6	94.7	22.5	73.8	359.1
D	10.8	26.4	33.9	30.7	99.3	88.9
TOTAL	\$112M	\$110M	\$158M	\$92M	\$217M	\$513M

ITEP – MCA continued

2020 M&E Additions (15YR)		Chemical Plant Expansion – Theoretical ITEP Contract (15YR)	
Reported Cost: 217M (Actual 2019)		Exempt Cost: 530,000,000 – New Rules	
Tax Year	Taxable Assessed Value	Tax Year	Taxable Assessed Value (20% 1 st 10 Years)
2021	30,922,500	2021	15,105,000
2022	29,295,000	2022	14,310,000
2023	28,644,000	2023	13,992,000
2024	27,667,500	2024	13,515,000
2025	26,040,000	2025	12,720,000
2026	24,087,000	2026	11,766,000
2027	22,134,000	2027	10,812,000
2028	19,855,500	2028	9,699,000
2029	17,902,500	2029	8,745,000
2030	15,949,500	2030	38,955,000
2031	14,322,000	2031 – ITEP EXP.	34,980,000
2032	12,043,500	2032 – ITEP EXP.	29,415,000
2033	10,416,000	2033 – ITEP EXP.	25,440,000
2034	9,439,500	2034 – ITEP EXP.	23,055,000
2035	9,114,000	2035 – ITEP EXP.	22,260,000
TOTAL	306,946,500	TOTAL	307,029,000