

THE ADVOCATE

Despite Gov. John Bel Edwards' efforts to rein it in, tax break even more lucrative for manufacturers in 2016

[BY MARK BALLARD / mballard@theadvocate.com](mailto:mballard@theadvocate.com) Published Feb 21, 2017 at 2:10 pm /

Despite Gov. John Bel Edwards' attempts to rein in a lucrative tax break, manufacturers were awarded more exemptions in 2016 than ever before.

Edwards, who took office in January 2016, issued an executive order in June to require the state Board of Commerce and Industry to stop automatically exempting manufacturers from paying local property taxes.

"It's not happening. It's going to take stronger enforcement of the governor's order to get control of the program," Brod Bagert, of Together Louisiana, said in an interview prior to state board gathering Tuesday to consider changes to the rules that would implement Edwards' vision and to approve some more exemption applications.

"The board is just doing what it has done and that is to approve whatever applications that comes before them," he said.

State government in 2016 forgave \$4.9 billion in local property taxes through the Industrial Tax Exemption Program, according to an [analysis by Together Louisiana](#), a coalition of clergy and community groups.

In 2015, the last year Bobby Jindal was governor, the state issued \$2.9 billion. The 2016 rate of ITEP approvals was 441 percent of the average rate of approvals from 2000 to 2015, the analysis states.

Together Louisiana used the state's formula to calculate the numbers in order to forestall criticisms that their calculations overstated the amounts, which has been usual response from the Louisiana Department Economic Development.

LED Secretary Don Pierson said \$4.9 billion was correct but doesn't tell the whole story.

That's the amount of the exemptions awarded by the state, but that may not be what's eventually used.

Changes in the marketplace could mean some of the projects get downsized or cancelled altogether. More importantly the number fails to include what the state's economy received from jobs created and long-term investments made because of program, Pierson said.

“It’s an exemption that brings in a project that will produce benefits for Louisiana 30 years, 40 years,” he said.

Most states have an industrial tax exemption, but Louisiana is the only one that handles the grants without the approval of local governments, which otherwise would be in charge of collecting property taxes. Also unique is that state government pays about half the costs for everyday services – police, fire, schools, etc. – usually handled on the local level elsewhere.

“The state can’t even pay for itself,” said Robert Adley, a former state senator who is Edwards’ representative on the board.

State legislators were meeting a couple blocks away in the State Capitol trying to balance this year’s budget, which has \$304 million less revenues available than bills owed. And lawmakers return to Baton Rouge in April to tackle another projected deficit for the fiscal year that starts July 1.

That’s one of the reasons Edwards put the brakes on ITEP. The board is drafting new rules that include requiring firmer evidence that the project will produce jobs before granting the five-year, 100 percent exemption; and stopping the automatic renewal of the exemption’s second term, which had been a 100 percent break for five years, but will now be for three years at 80 percent. Among other requirements, include a procedure for local governments to sign off on the exemption.

But the board was also decided that the new rules would only apply to applications filed after Edwards’ executive order on June 24, 2016. State economic development officials were adamant that changing or cancelling the ITEP applications after they are in the pipeline would damage Louisiana’s reputation and its ability to attract business in the future.

Most of the \$4.9 billion approved in 2016 was underway prior the governor’s order.

The Commerce and Industry Board’s meetings usually are sleepy affairs, largely attended by corporate executives seeking approval of tax burdens. Tuesday’s hearing, like several since Edwards’ order, was standing room only.

“This (ITEP) should be suspended immediately without any further actions taken. The state is broke,” Russell Honoré, the retired U.S. Army general famed for bringing order to New Orleans after Hurricane Katrina, told the board.

“The number is correct. But it’s important to know that we would not have made those promises but we have to honor these agreements,” Adley said.

Board Chairman Steven L. Windham asked for patience as the board approved 117 exemption applications at one time and rejected six that had been filed after the June 24. “We are moving. With the work of this board, of this governor, from principles to facts,” he said.

Follow Mark Ballard on Twitter, @MarkBallardCnb.