

2023 Regular Session

SENATE BILL NO. 2

BY SENATOR ALLAIN

TAX EXEMPTIONS. Constitutional amendment to phase out the tax on inventory and establish the maximum allowable exemption for the industrial property tax exemption program. (2/3 - CA13s1(A))

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A JOINT RESOLUTION

Proposing to amend Article VII, Section 21(F) and to add Article VII, Section 21(O) of the Constitution of Louisiana, relative to ad valorem tax exemptions; to limit new contracts for industrial tax exemptions on ad valorem taxes to sixty percent for all school millages and eighty percent for all other millages; to phase out the ad valorem tax on inventory over a five-year period; and to specify an election for submission of the proposition to electors and provide a ballot proposition.

Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of the members elected to each house concurring, that there shall be submitted to the electors of the state, for their approval or rejection in the manner provided by law, a proposal to amend Article VII, Section 21(F) and to add Article VII, Section 21(O) of the Constitution of Louisiana, to read as follows:

§21. Other Property Exemptions

Section 21. In addition to the homestead exemption provided for in Section 20 of this Article, the following property and no other shall be exempt from ad valorem taxation:

* * *

1 (F)~~(1)~~ Notwithstanding any contrary provision of this Section, the State
2 Board of Commerce and Industry or its successor, with the approval of the governor,
3 may enter into contracts for the exemption from ad valorem taxes of a new
4 manufacturing establishment or an addition to an existing manufacturing
5 establishment, on such terms and conditions as the board, with the approval of the
6 governor, deems in the best interest of the state.

7 (2) The exemption shall be for an initial term of no more than five calendar
8 years, and may be renewed for **up to** an additional five years. All property exempted
9 shall be listed on the assessment rolls and submitted to the Louisiana Tax
10 Commission or its successor, but no taxes shall be collected thereon during the
11 period of exemption **with respect to the exempt percentage of assessed valuation.**

12 (3) **For new contracts and contract renewals entered into pursuant to this**
13 **Paragraph on or after January 1, 2024, the maximum exemption the board may**
14 **grant shall be:**

15 (a) **Sixty percent of the assessed valuation for ad valorem taxes dedicated**
16 **to, levied by, or levied on behalf of a city school board, parish school board, or**
17 **other local public school board.**

18 (b) **Eighty percent of the assessed value for ad valorem taxes levied by**
19 **any other local taxing authority.**

20 (4) The terms "manufacturing establishment" and "addition" as used herein
21 mean a new plant or establishment or an addition or additions to any existing plant
22 or establishment which engages in the business of working raw materials into wares
23 suitable for use or which gives new shapes, qualities, or combinations to matter
24 which already has gone through some artificial process. **The terms "new**
25 **manufacturing establishment" and "addition to an existing manufacturing**
26 **establishment" shall not include maintenance, required environmental**
27 **upgrades, miscellaneous capital improvements, or replacements of existing**
28 **machinery or equipment.**

29 * * *

1 **(O) Goods held in inventory shall be exempt from ad valorem taxation**

2 **as follows:**

3 **(1)(a) For ad valorem taxes due in 2024, twenty percent of the assessed**
4 **valuation shall be exempt.**

5 **(b) For ad valorem taxes due in 2025, forty percent of the assessed**
6 **valuation shall be exempt.**

7 **(c) For ad valorem taxes due in 2026, sixty percent of the assessed**
8 **valuation shall be exempt.**

9 **(d) For ad valorem taxes due in 2027, eighty percent of the assessed**
10 **valuation shall be exempt.**

11 **(e) For ad valorem taxes due in 2028 and thereafter, one hundred**
12 **percent of the assessed valuation shall be exempt.**

13 **(2) "Goods held in inventory" shall mean goods that are held for sale in**
14 **the ordinary course of business, goods in production or for ultimate**
15 **consumption in the production of goods for sale in the ordinary course of**
16 **business, and goods utilized in the ordinary course of business for marketing**
17 **and distribution activities.**

18 Section 2. Be it further resolved that this proposed amendment shall be submitted
19 to the electors of the state of Louisiana at the statewide election to be held on October 14,
20 2023.

21 Section 3. Be it further resolved that on the official ballot to be used at said election
22 there shall be printed a proposition, upon which the electors of the state shall be permitted
23 to vote YES or NO, to amend the Constitution of Louisiana, which proposition shall read as
24 follows:

25 Do you support an amendment to eliminate the property tax on inventory
26 over five years and limit the exemption manufacturers can receive under the
27 industrial tax exemption program to sixty percent for school-related property
28 taxes and eighty percent for all other property taxes?

29 (Amends Const. Art. VII, Sec. 21(F); adds Const. Art. VII, Sec. 21(O))

The original instrument was prepared by Leonore Heavey. The following digest, which does not constitute a part of the legislative instrument, was prepared by Danielle Clapinski.

DIGEST

SB 2 Engrossed 2023 Regular Session Allain

Present constitution provides that all property is subject to ad valorem taxation unless specifically exempted.

Present constitution authorizes the State Board of Commerce and Industry, with gubernatorial approval, to enter into contracts to exempt new and expanding manufacturing facilities from ad valorem taxation.

Proposed constitutional amendment retains the ability of the board to enter into contracts to exempt certain manufacturing facilities from certain ad valorem taxes.

Proposed constitutional amendment, beginning January 1, 2024, prohibits the board from providing an exemption for a manufacturing facility for more than 60% of the assessed value of the property for all local public school board ad valorem taxes and not more than 80% of the assessed value of the property for all other ad valorem taxes.

Proposed constitutional amendment provides that the terms "new manufacturing establishment" and "addition to an existing manufacturing establishment" do not include maintenance, required environmental upgrades, miscellaneous capital improvements, or replacements of existing machinery or equipment.

Proposed constitutional amendment phases out the ad valorem tax for goods held in inventory over a five-year period in equal percentages, beginning with ad valorem taxes due in 2024 and completely exempting inventory from ad valorem taxation for ad valorem taxes due on or after 2028.

Specifies submission of the amendment to the voters at the statewide election to be held on October 14, 2023.

(Amends Const. Art. VII, Sec. 21(F); adds Const. Art. VII, Sec. 21(O))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Makes technical corrections.