

# THE ADVOCATE

## Job creation becomes a point of debate on tax exemptions for manufacturers

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Manufacturing executives and **Together Baton Rouge** activists faced off Monday as each side tried to persuade a group of local leaders to buy into their perspectives about industrial tax exemptions, which is Louisiana's costliest incentive program.

Industrial tax exemptions, known as ITEP, have allowed Baton Rouge's manufacturing sector over the last two decades to forgo paying hundreds of millions of dollars in property taxes to local governments. The state recently shifted control of the incentive program to local government, and a Baton Rouge ITEP committee has spent more than a month wading through the pros and cons offering the tax breaks to companies.

The committee came under pressure Monday from opposing sides of the debate while they craft a set of guidelines that will determine when a company should qualify for a tax exemption.

The Baton Rouge Area Chamber has proposed a system in which companies with fewer than 50 employees could receive a full property tax abatement in their first five years with any amount of capital investment and no job requirement.

Larger companies with more than 50 employees would need to make a capital investment of at least \$1 million or create up to 10 jobs for a 50 percent tax abatement during their first five years. Companies that invest upward of \$20 million or create more than 20 jobs could qualify for a full property tax abatement their first five years, under BRAC's proposal.

Together Baton Rouge hammered BRAC's proposal on three main issues. The group's representatives said ITEP needs a job creation requirement, arguing that tax exemptions should not be approved after a project has already been completed and that properties that quickly depreciate in taxable value should not be allowed to receive an exemption.



*Huge Furnace at the Exxon refinery Monday Oct. 23, 2017, in Baton Rouge, La.. Story on tax exemption that benefits industry largely. Exxon is one of the number one recipients of this tax exemption. ADVOCATE STAFF PHOTO BY BILL FEIG*

The Advocate previously reported that manufacturing giants have enjoyed property tax breaks while losing jobs. The Bureau of Labor Statistics reported that Louisiana's manufacturing jobs dropped by more than 21 percent between 2001 and 2016. Yet at the same time, companies enjoyed the tax abatements that cost more than \$1 billion annually, with no requirement to create jobs.

"These companies should pay school taxes like the rest of us, like the small businesses, like the auto dealers, like everyone except manufacturing interests," said Kathy Wascom, who spoke at the committee meeting.

Representatives from ExxonMobil, ISC Constructors, Turner Industries and other companies repeatedly warned that nothing is forcing manufacturers to stay in Louisiana.

"It's very shortsighted to think companies have to come here because of the Mississippi River and companies have to stay here because they're already here," said Kyle Zeringue, vice president of ISC Constructors.

Exxon also released a 2018 economic impact report that said the company pays \$33 million in direct property taxes to East Baton Rouge Parish, along with \$23 million in direct sales taxes.

"I had the good fortune in 2000 to build a plant here," said Charles Dabadie, the company's regional manufacturing manager. "I want to build another ... We have to expand to grow so our kids have jobs here. We need the chemical industry, whether its ExxonMobil or others, to continue to grow."

Exxon has been exempted more taxes than it has paid over the last decade in Baton Rouge, with its exemptions amounting to more than \$380 million while it has paid around \$323 million.

Baton Rouge Chief Administrative Officer Darryl Gissel wondered Monday whether it would be possible for the committee to include return on investment in its guidelines for whether a company receives an exemption. And committee member LaMont Cole also questioned why Baton Rouge should incentivize a company to build something after it has already been constructed.

Environmental concerns also came up during the meeting. Metro Councilman Matt Watson said he wants to see Baton Rouge build in incentives for companies that are willing to invest in upgrades and buildings that will not pollute the environment.

"We need to take care of our water, our air, our earth," said Stephanie Anthony, who represented the Louisiana Environmental Action Network. "The industrial property tax exemption should not be rubber-stamped for chumps, where folks can figure they can come to Louisiana and they're just going to have a free ride."

The committee will meet again March 26.