

THE ADVOCATE

Gov. John Bel Edwards sets criteria for lucrative tax breaks for manufacturers

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Advocate staff photo by PATRICK DENNIS-Gov. John Bel Edwards addresses the media during a press conference after the end of the second special legislative session Thursday.

After four decades of automatically approving applications to exempt large manufacturers from local property taxes, Gov. John Bel Edwards announced Friday he would start closely vetting industrial tax exemption requests before signing them.

The governor said the [tax exemptions are not closely monitored](#), require no performance standards and have been given out willy-nilly for decades. The program forgives an average \$1.4 billion in property taxes each year and will cost local government about \$7 billion over the next five years.

“It’s time we rein it in,” Edwards told the state Board of Commerce and Industry. “We need to give locals some input, and we need to tie it to jobs.”

Sitting behind a foot-high stack of the current two-page applications, Edwards described [his executive order](#) that detailed the criteria he expects to find in successful requests for the nation’s most generous corporate tax exemption program.

Edwards told [board members](#) that from here on, he would focus on new plants and generally would refuse to approve exemptions for investments like maintenance, environmental upgrades and the purchase of new machinery. He said the applications would have to be tied to job creation or retention and that applicants would have to sign contracts promising a certain level of investment and hires.

Louisiana is the only state that runs the program exclusively from the state level. Edwards said he wants local authorities, such as parish governments, school boards and fire districts, to pass official resolutions saying they approve of not charging property taxes to a corporate manufacturer.

The executive order does not apply to applications already in the pipeline. The state board approved Friday more than 550 requests for the Industrial Tax Exemption Program. The exemption allows large manufacturers to avoid paying all local property taxes for two five-year periods.

The business community says the industrial tax exemption is a key component to attracting new companies to locate and invest in Louisiana.

The state’s budget problems have led government to trim many other incentives. Now, the industrial tax exemption also is being altered

“Some of these changes have the potential to materially affect new, major capital investments in the state as well as capital for expansions and modernizations,” said Dan Borné, head of the Louisiana Chemical Association, whose membership includes almost 70 percent of the industrial tax exemption contracts and supports about 150,000 direct and indirect jobs in Louisiana.

He also was concerned about the broad scope of the changes and the amount of time it will take to process the rules and regulations. “The uncertainty associated with this process could put many announced but not-yet-begun projects on pause,” Borné said.

Don Pierson, secretary for Louisiana Economic Development, responded to the business community's concerns, saying, "This is simply a way to get to accountability in this process. You haven't changed my ability to compete. The parish can still stand up and say, 'We're giving a 10-year tax exemption at a 100 percent.'"

Board of Commerce and Industry meetings usually attract a dozen or so lawyers and lobbyists. Friday's meeting was so crowded that Chairman Steve L. Windham had to ask dozens of people standing in the aisles and along the walls to head for the lobby.

Dozens of members and supporters of Together Louisiana attended the meeting, often breaking into applause and cheers.

[Together Louisiana](#), a coalition of clergy and social groups, [earlier this week reported](#) that the industrial tax exemption had cost local government over the past decade about \$316.6 million for law enforcement and corrections; \$75 million for libraries; \$60.5 million for roads; \$587 million in tax revenue lost to local school districts.

Pierson questioned some of the numbers but agreed that the program needs closer scrutiny.

"What he (Edwards) outlined was right in line with our expectations," said Edgar Cage, of Together Louisiana. "It's a bold new approach to how we deal with commerce in this state to add some accountability and scrutiny to the process."

"It signals a major shift in our state's approach to economic development, focused less on corporate subsidies with no strings attached and more on jobs and the development of our people," said Dianne Hanley, a leader in the group.

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