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John Bel Edwards signs executive order for scrutiny of industrial tax break



A line of industrial facilities along the western edge of the Calcasieu River between Lake Charles and Mossville, Louisiana on Thursday, July 31, 2014. (Photo by Julia Kumari Drapkin, Nola.com | The Times-Picayune)

By [Katherine Sayre, NOLA.com | The Times-Picayune](#)
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Gov. John Bel Edwards signed an executive order Friday (June 24) demanding more scrutiny over how a massive industrial property tax break is handed out to manufacturers.

Local governments who stand to lose out on property taxes will now have a say in approving exemptions for heavy industry, and companies applying for the 10-year tax break must prove the projects are creating and keeping jobs, the governor's office said.

Currently approved exemptions carry a price tag of \$16.7 billion in lost property tax revenues to local governments, schools and law enforcement, according to the nonprofit Together Louisiana.

In a news release, Edwards said manufacturing companies are valuable for bringing investments and jobs to the state.

"We are simply aligning the industrial tax exemption program with the best practices of other states and with the best interest of our residents and the local governments they support," Edwards said. "By involving all of our stakeholders – company taxpayers, individual taxpayers and taxing jurisdictions – we are setting the stage for a fair and fruitful partnership in incentivizing industrial growth throughout Louisiana."

Companies apply to the state Board of Commerce and Industry for an initial five-year break and a five-year renewal. State law grants the governor final approval on the tax breaks. Edwards' order notes that under previous administrations, companies have received breaks without any evidence that capital projects met the state's economic development goals and without any job creation requirements to be eligible.

Now, companies will be required to enter a cooperative endeavor agreement with the state making the tax break contingent on job creation. A local government resolution approving the tax break must also be included in the deal. The local governments will have input on what percentage of an exemption should be granted "based upon the attractiveness and economic impact of each project," the governor's office said.

Edwards also ordered the state Revenue Department to review all industrial tax exemption contracts to ensure companies are complying.

Earlier this week, Together Louisiana, an organization of religious and civic groups that focuses on what it calls tax fairness, issued a report calling on the state to curb the massive corporate handouts through the governor's power under state law.

Areas of the state with massive petrochemical and other industrial growth have seen the biggest losses in property taxes. In Calcasieu Parish, home to Lake Charles, the 10-year exemptions approved stand at \$2.97 billion, according to Together Louisiana's report.

In Orleans Parish the 10-year exemption is at \$133 million or \$13.3 million per year -- nearly the annual cost of starting a universal pre-kindergarten program, the report said. In Jefferson Parish the 10-year exemption is \$192 million or \$19.2 million per year.