

TAKING FROM PETER TO PAY PAUL: Do industrial tax exemptions really lower property taxes for Baton Rouge businesses?

REPORT DESCRIPTION

A common argument in support of the industrial tax exemption program is that the program is needed to help compensate for a tax structure that is said to be uncompetitive for business.

The argument tends to take for granted that the benefits of industrial tax exemptions are experienced more or less broadly across the business sector generally. In reality only a small percentage of the state's businesses ever will receive an industrial tax exemption.

This study assesses the impact of industrial tax exemptions on disparities in property tax rates among business, homeowners and ITEP-recipient companies in East Baton Rouge Parish.

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If you have questions about this study or would like additional information on the issue, please email contact@togetherbr.org.

A common defense of Louisiana's industrial tax exemption program is that it helps make Louisiana more competitive for business.

**BUT DOES ITEP TRULY
LOWER BUSINESS TAXES?**

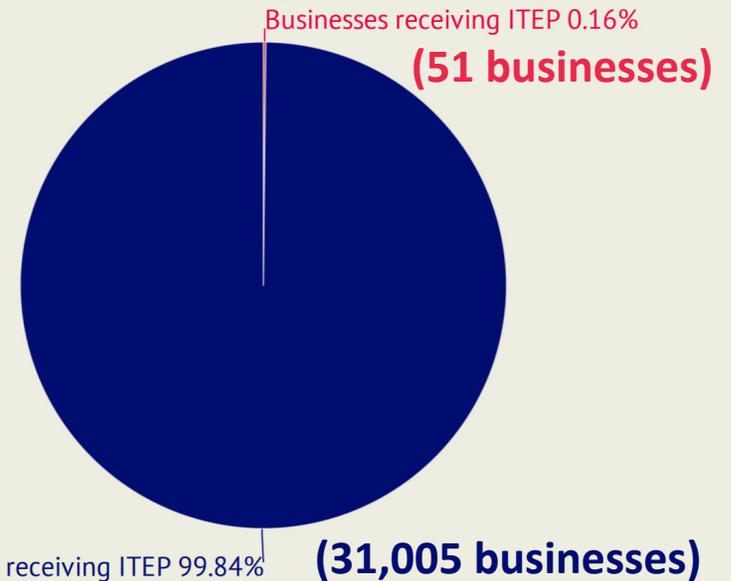
31,005 businesses are registered to operate in East Baton Rouge Parish.

Only FIFTY-ONE BUSINESSES have benefited from ITEP anytime in the last 10 years — .16% of the total.

99.84% OF BUSINESSES in EBR parish receive no property tax benefit from ITEP.

ITEP-recipient businesses vs. full-tax businesses

East Baton Rouge Parish, January, 2019



Sources:

For # of businesses, East Baton Rouge Parish Finance Department, "Businesses registered with EBR Parish for Occupational License Tax and/or Sales Tax Registration," (January 12, 2019). For # of ITEP-recipients, LED , Fastlane Database.

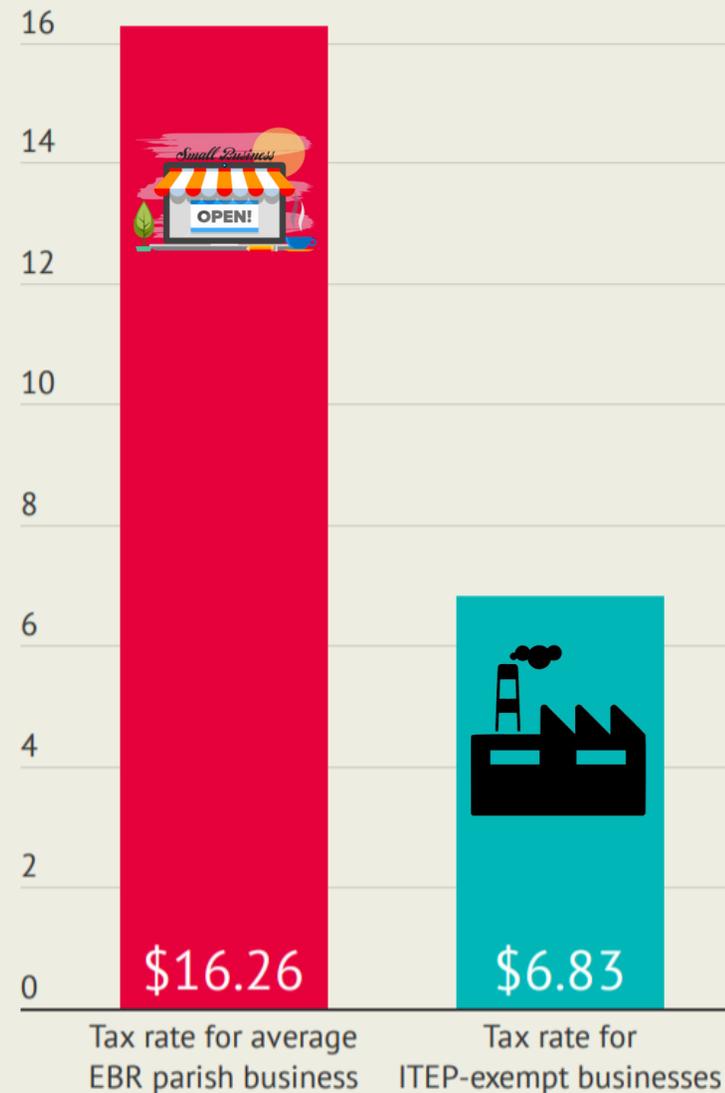
The average business in EBR Parish pays **2.4 TIMES** as much on the dollar in property taxes as ITEP-exempt businesses in the parish.

On average, businesses in EBR Parish pay **\$16.26 in property taxes** per \$1K in property.

Businesses receiving ITEP — usually large, multinational corporations — **pay \$6.83 in property taxes** per \$1K in property.

Avg EBR business vs. avg ITEP-exempt EBR Business

Amount paid in property tax per \$1K property



Source:

E Baton Rouge Parish Assessor, Property tax rolls, 2017 data.

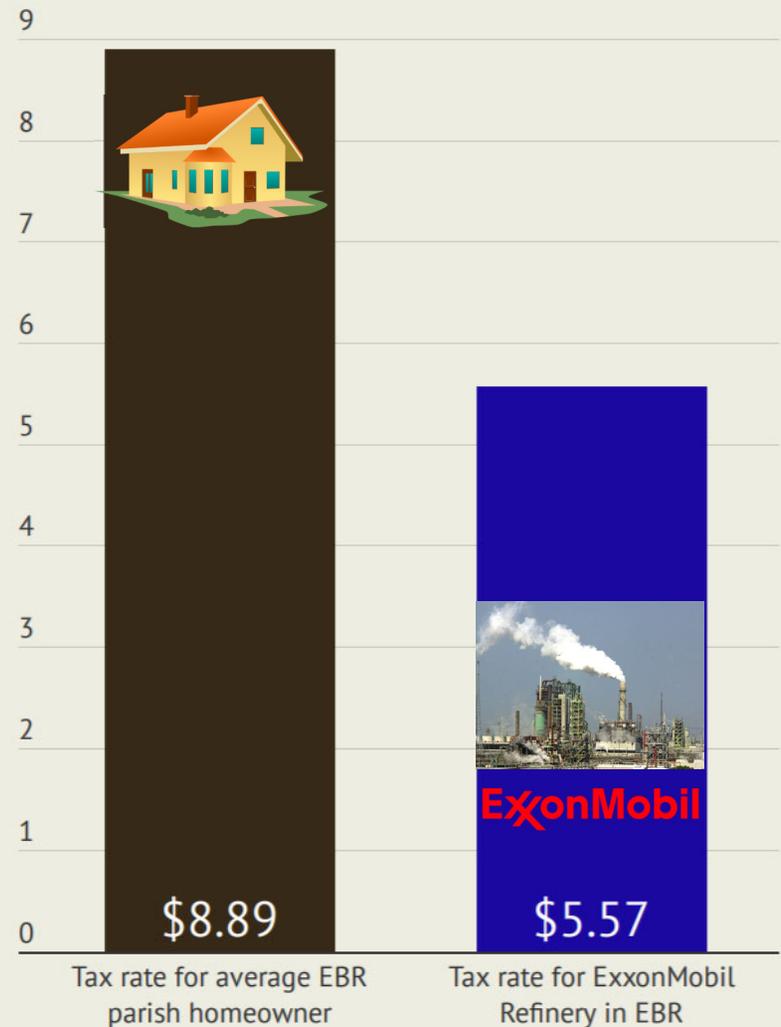
The average EBR Parish **HOMEOWNER** pays **1.6 TIMES** as much on the dollar as the most valuable property in the parish.

On average, homeowners in EBR Parish pay **\$8.89 in property taxes** per \$1K in property after accounting for the homestead exemption.

ExxonMobil pays **\$5.57 in property taxes** per \$1K in property on its refinery after accounting for ITEP.

Avg EBR homeowner vs. EBR's most valuable property

Amount paid in property tax per \$1K property



Source:

E Baton Rouge Parish Assessor, Property tax rolls, 2017 data.

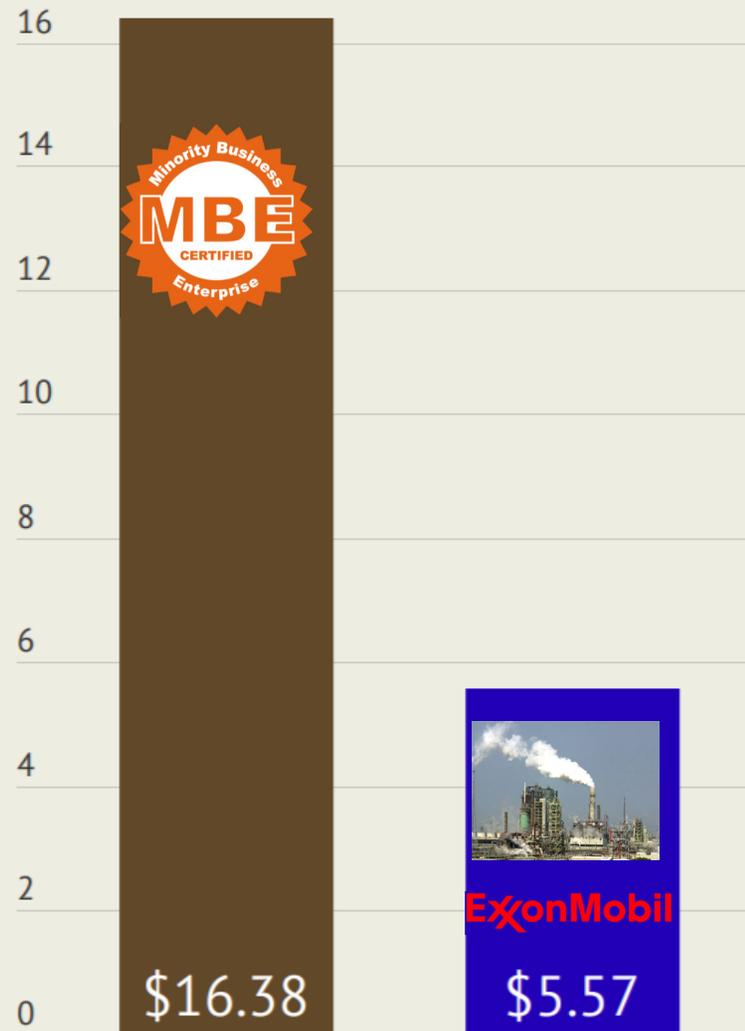
The average minority-owned business in EBR Parish pays **2.9 TIMES** as much on the dollar of ExxonMobil's Refinery

The average minority-owned business pays **\$16.38 in property taxes** per \$1K in property.

ExxonMobil pays **\$5.57 in property taxes** per \$1K in property on its refinery.

Avg EBR minority-owned business vs. EBR's most valuable property

Amount paid in property tax per \$1K property



Tax rate for average EBR Parish minority-owned business

Tax rate for ExxonMobil Refinery

Sources:

E Baton Rouge Parish Assessor, Property tax rolls, 2017 data.
List of minority-owned businesses from DOTD DBE database (2019).

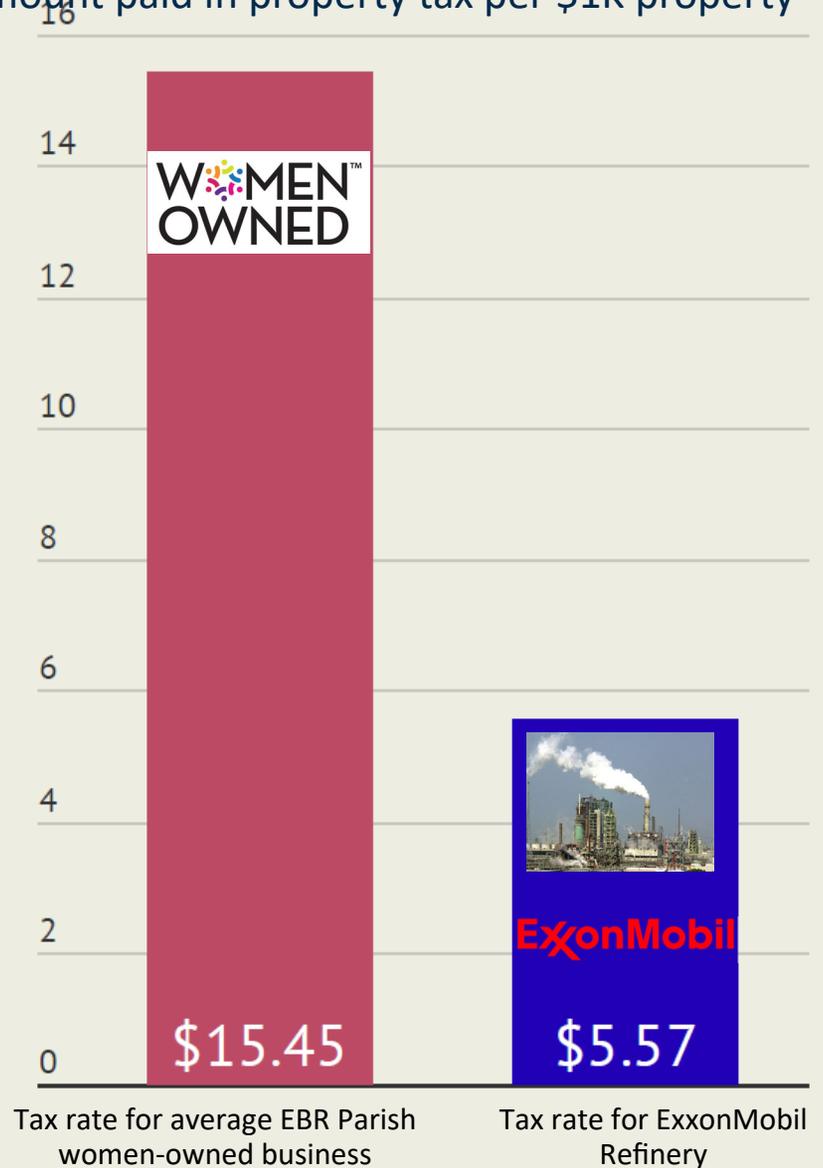
The average women-owned business in EBR Parish pays **2.8 TIMES** as much on the dollar of ExxonMobil's Refinery

The average women-owned business pays **\$15.45 in property taxes** per \$1K in property.

ExxonMobil pays **\$5.57 in property taxes** per \$1K in property on its refinery.

Avg EBR women-owned business vs. EBR's most valuable property

Amount paid in property tax per \$1K property



Sources:

E Baton Rouge Parish Assessor, Property tax rolls, 2017 data.
List of women-owned businesses from BR Business Report, "Book of lists" (2017).

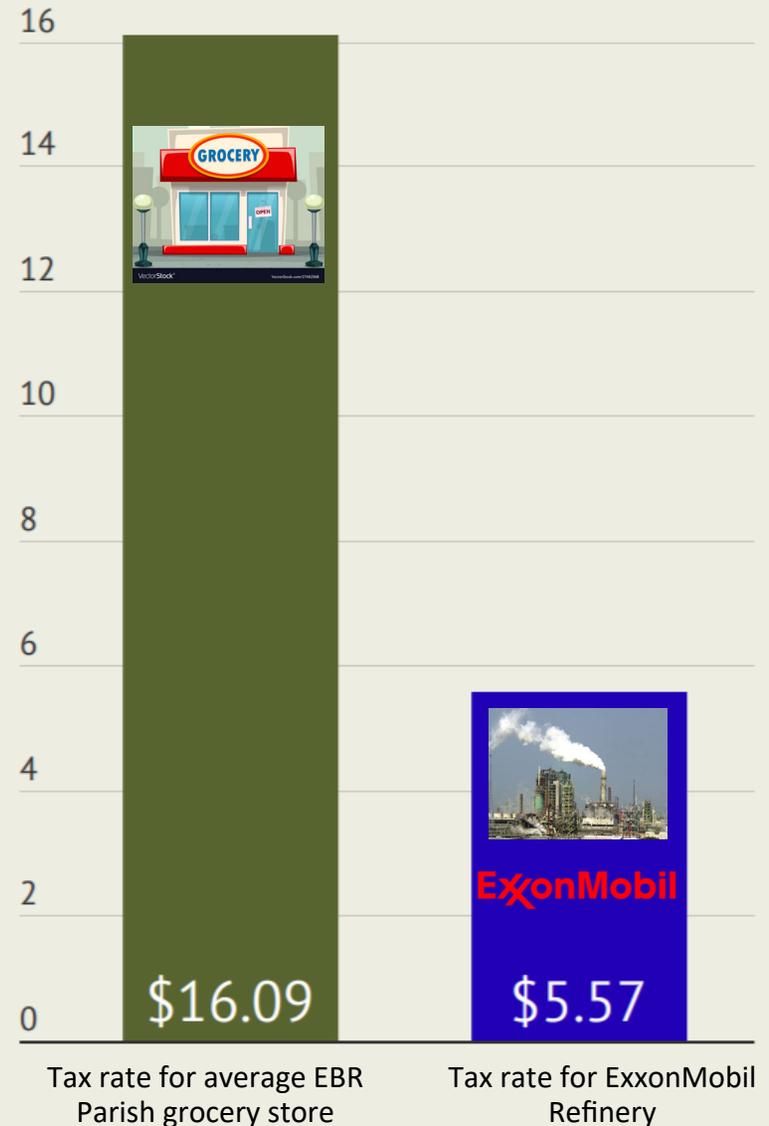
The average grocery store in EBR Parish pays **2.9 TIMES** as much on the dollar of ExxonMobil's Refinery

The average minority-owned business pays **\$16.09 in property taxes** per \$1K in property.

ExxonMobil pays **\$5.57 in property taxes** per \$1K in property on its refinery.

Avg EBR grocery store vs. EBR's most valuable property

Amount paid in property tax per \$1K property

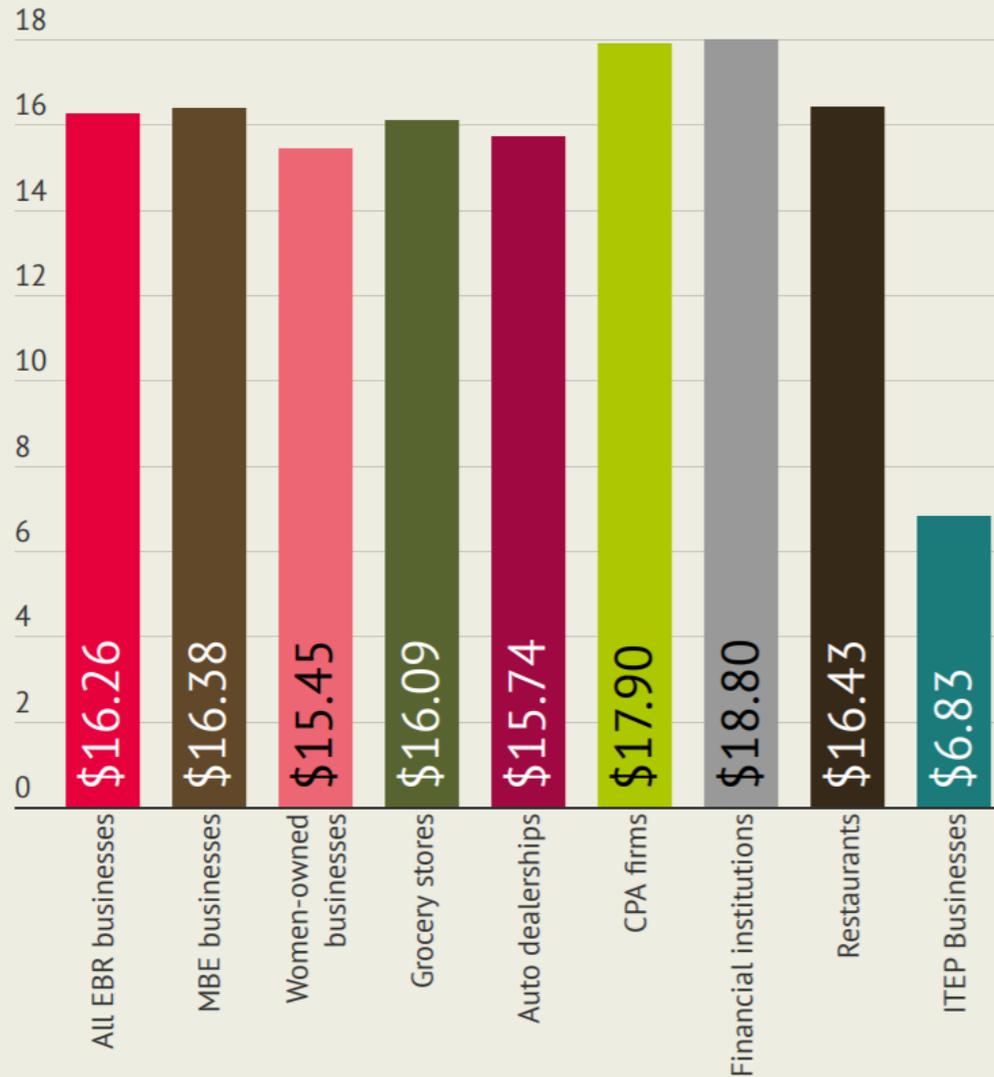


Sources:

E Baton Rouge Parish Assessor, Property tax rolls, 2017 data.
List of grocery stores from Google Maps (2019).

Property tax burden by business category

Amount paid in property tax per \$1K property



East Baton Rouge Parish

Sources:

E Baton Rouge Parish Assessor, Property tax rolls, 2017 data. List of minority-owned businesses from DOTD DBE database (2019). List of women-owned businesses from BR Business Report, "Book of lists" (2017). List of grocery stores from Google Maps (2019).

CONCLUSION

ITEP does not lower property taxes for businesses in Baton Rouge.

ITEP raises taxes for 99.8% of EBR Parish businesses.

For the idea to have merit that industrial tax exemptions help compensate for an uncompetitive business climate by lowering business taxes it would have to be true that ITEP lowers business taxes. For the overwhelming majority of businesses in East Baton Rouge Parish and across the state, that is not the case.

When individual exemptions are being considered, they should be approached with the understanding that ITEP is not an exemption benefiting the business sector at large.

ITEP is a subsidy to a very narrow segment of the business sector, which increases property taxes for the vast majority of businesses and other property tax payers.

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