

2022 Regular Session

SENATE BILL NO. 247

BY SENATOR ALLAIN

TAX/AD VALOREM. Provides for procedures for parishes to exempt inventory from ad valorem taxation. (See Act)

1 AN ACT

2 To enact R.S. 47:1717, relative to ad valorem tax exemptions; to provide for procedures for
3 parishes providing an ad valorem tax exemption for goods held in inventory; to
4 provide for a definition of goods held in inventory; to provide for effectiveness; and
5 to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:1717 is hereby enacted to read as follows:

8 **§1717. Procedure for adoption of the exemption of goods held in inventory**

9 **A. Parishes may exempt all goods held in inventory from all parish,**
10 **municipal, and special ad valorem taxes pursuant to Article VII, Section 21(O)**
11 **of the Louisiana Constitution. The exemption shall apply to all goods held in**
12 **inventory within the parish for all ad valorem taxes imposed by any taxing**
13 **authority in the parish.**

14 **B. Procedure.**

15 **(1) Parishes may adopt this exemption using either of the following**
16 **alternative procedures:**

17 **(a) In parishes with one or more municipalities, the parish governing**

1 authority, with the approval of the governing authorities of all municipalities
2 in the parish, adopts the exemption by ordinance. Before a vote by the parish
3 governing authority on the exemption ordinance, the parish governing authority
4 shall publish the proposed ordinance in the official journal of the parish for not
5 less than thirty days before the exemption will become effective and shall hold
6 not less than one public hearing on the proposed exemption during that
7 thirty-day period.

8 (b) The parish governing authority adopts the exemption by ordinance
9 after a proposition authorizing the exemption is approved by a majority of the
10 qualified electors of the parish voting at an election held for that purpose that
11 is called and conducted pursuant to the Louisiana Election Code.

12 (2) If approved, the exemption provided by Article VII, Section 21(O) of
13 the Louisiana Constitution and this Section shall exempt all goods held in
14 inventory within the parish for all ad valorem taxes imposed by any taxing
15 authority in the parish.

16 (3) Once made, the exemption for all goods held in inventory within the
17 parish from ad valorem taxation shall not be revoked except as authorized by
18 an act of the legislature enacted by a two-thirds vote of the elected members of
19 each house.

20 C. (1) For purposes of this Section, "goods held in inventory" includes
21 the following:

22 (a) Goods or commodities awaiting sale that include but are not limited
23 to the merchandise of a retail or wholesale concern, the finished goods of a
24 manufacturer, the commodities from farms, mines, and quarries, and goods
25 that are used or trade-in merchandise and by-products of a manufacturer.

26 (b) Goods or commodities that are in the course of production.

27 (c) Raw materials and supplies that will be consumed in the Louisiana
28 manufacturing process.

29 (d) Any item of tangible personal property owned by a retailer that is

1 available for or subject to a short-term rental and that will subsequently or
 2 ultimately be sold by the retailer. For purposes of this Paragraph, "short-term
 3 rental" means a rental of an item of tangible personal property for a period of
 4 less than three hundred sixty-five days, for an undefined period, or under an
 5 open-ended agreement.

6 (2) Except as provided in Subparagraph (1)(d) of this Subsection, "goods
 7 held in inventory" shall not include items that would otherwise be considered
 8 inventory at any time following the initial lease by the taxpayer of such items,
 9 items that would otherwise be considered inventory any time after the taxpayer
 10 has commenced depreciating the item on the taxpayer's federal tax return, or
 11 items that have been subject to use by the taxpayer when owned for more than
 12 eighteen months.

13 D. The exemption provided in Article VII, Section 21(F) of the Louisiana
 14 Constitution for manufacturing establishments and the exemption provided in
 15 Article VII, Section 21(I) of the Louisiana Constitution for inventory held by
 16 distribution centers shall not apply to any parish that exempts goods held in
 17 inventory from ad valorem taxation pursuant to this Section.

18 Section 2. This Act shall take effect and become operative if and when the proposed
 19 amendment to add Article VII, Section 21(O) of the Constitution of Louisiana contained in
 20 the Act which originated as Senate Bill No. 246 of this 2022 Regular Session of the
 21 Legislature is adopted at the statewide election to be held on November 8, 2022, and
 22 becomes effective.

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

DIGEST

SB 247 Engrossed 2022 Regular Session Allain

Present law provides that all property is subject to ad valorem tax unless specifically
 exempted including goods held in inventory.

Proposed law authorizes parishes to exempt all inventory held by all taxpayers from all ad
 valorem taxation in the parish.

Proposed law provides two alternative procedures for the adoption of the exemption for goods held in inventory:

- (1) In parishes with one or more municipalities, the parish governing authority, with the approval of the governing authorities of all municipalities, adopts the exemption ordinance after publication of the proposed ordinance in the parish's official journal 30 days before the proposed effective date and a minimum of one public hearing during the 30-day period.
- (2) The parish governing authority adopts the exemption ordinance which must be approved by majority vote of the voters in the parish who vote in the election that is called and conducted pursuant to the Louisiana Election Code.

Proposed law provides that once adopted the exemption shall be in place until revoked by a 2/3 vote of the elected members of each house of the legislature.

Proposed law provides that "goods held in inventory" includes:

- (1) Goods awaiting sale including merchandise of a retailer or wholesaler concern, finished goods of a manufacturer, commodities from farms, mines, and quarries, used or trade-in merchandise, and by-products of a manufacturer.
- (2) Goods that are in the course of production.
- (3) Raw materials and supplies that will be consumed in the manufacturing process.
- (4) Any item of tangible personal property owned by a retailer that is available for or subject to a short-term rental and that will subsequently or ultimately be sold by the retailer, with limited exceptions.

Proposed law provides that "goods held in inventory" does not include items that would otherwise be considered inventory at any time following the initial lease by the taxpayer of such items, items that would otherwise be considered inventory any time after the taxpayer has commenced depreciating the item on the taxpayer's federal tax return, or items that have been subject to use by the taxpayer when owned for more than eighteen months except in limited circumstances.

Proposed law provides that the manufacturing establishment tax exemption program and optional exemption for inventory held by distribution centers provided by the present constitution does not apply to parishes making the election to exempt all inventory under proposed law.

Effective if and when the proposed amendment to add Article VII, Section 21(O) of the Constitution of Louisiana contained in the Act which originated as SB 246 of the 2022 RS is adopted at the statewide election to be held on November 8, 2022, and becomes effective.

(Adds R.S. 47:1717)

Summary of Amendments Adopted by Senate

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

1. Clarifies language relative to the procedure for exemption in parishes with municipalities.

2. Specifies that the election is called and conducted pursuant to the Louisiana Election Code.
3. Provides for technical changes.