SLS 23RS-38

ORIGINAL

2023 Regular Session

SENATE BILL NO. 2

BY SENATOR ALLAIN

TAX EXEMPTIONS. Constitutional amendment to phase out the tax on inventory and establish the maximum allowable exemption for the industrial property tax exemption program. (2/3 - CA13s1(A))

1	A JOINT RESOLUTION
2	Proposing to amend Section 21(F) and to add Section 21(O) of the Constitution of
3	Louisiana, relative to ad valorem tax exemptions; to limit new contracts for industrial
4	tax exemptions on ad valorem taxes to sixty percent for all school millages and
5	eighty percent for all other millages; to phase out the ad valorem tax on inventory
6	over a five-year period; and to specify an election for submission of the proposition
7	to electors and provide a ballot proposition.
8	Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of the members
9	elected to each house concurring, that there shall be submitted to the electors of the state, for
10	their approval or rejection in the manner provided by law, a proposal to amend Section 21(F)
11	and to add Section 21(O) of the Constitution of Louisiana, to read as follows:
12	§21. Other Property Exemptions
13	Section 21. In addition to the homestead exemption provided for in Section
14	20 of this Article, the following property and no other shall be exempt from ad
15	valorem taxation:
16	* * *
17	(F)(1) Notwithstanding any contrary provision of this Section, the State

Page 1 of 4 Coding: Words which are struck through are deletions from existing law; words in **boldface type and underscored** are additions.

- Board of Commerce and Industry or its successor, with the approval of the governor, may enter into contracts for the exemption from ad valorem taxes of a new manufacturing establishment or an addition to an existing manufacturing establishment, on such terms and conditions as the board, with the approval of the governor, deems in the best interest of the state.
- (2) The exemption shall be for an initial term of no more than five calendar
 years, and may be renewed for <u>up to</u> an additional five years. All property exempted
 shall be listed on the assessment rolls and submitted to the Louisiana Tax
 Commission or its successor, but no taxes shall be collected thereon during the
 period of exemption <u>with respect to the exempt percentage of assessed valuation</u>.
 (3) For new contracts and contract renewals entered into pursuant to this
- 11
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 Paragraph on or after January 1, 2024, the maximum exemption the board may

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 grant shall be:
- 14(a) Sixty percent of the assessed valuation for ad valorem taxes dedicated15to, levied by, or levied on behalf of a city school board, parish school board, or16other local public school board.
- 17 (b) Eighty percent of the assessed value for ad valorem taxes levied by
 18 any other local taxing authority.
- 19 (4) The terms "manufacturing establishment" and "addition" as used herein 20 mean a new plant or establishment or an addition or additions to any existing plant 21 or establishment which engages in the business of working raw materials into wares 22 suitable for use or which gives new shapes, qualities or combinations to matter which already has gone through some artificial process. The terms "new manufacturing 23 24 establishment" and "addition to an existing manufacturing establishment" shall not include maintenance, required environmental upgrades, miscellaneous 25 capital improvements, or replacements of existing machinery or equipment. 26 * * * 27 28 (O) Goods held in inventory shall be exempt from ad valorem taxation
- 29 as follows:

1	(1)(a) For ad valorem taxes due in 2024, twenty percent of the assessed
2	valuation shall be exempt.
3	(b) For ad valorem taxes due in 2025, forty percent of the assessed
4	valuation shall be exempt.
5	(c) For ad valorem taxes due in 2026, sixty percent of the assessed
6	valuation shall be exempt.
7	(d) For ad valorem taxes due in 2027, eighty percent of the assessed
8	valuation shall be exempt.
9	(d) For ad valorem taxes due in 2028 and thereafter, one hundred
10	percent of the assessed valuation shall be exempt.
11	(2) "Goods held in inventory" shall mean goods that are held for sale in
12	the ordinary course of business, goods in production or for ultimate
13	consumption in the production of goods for sale in the ordinary course of
14	business, and goods utilized in the ordinary course of business for marketing
15	and distribution activities.
16	Section 2. Be it further resolved that this proposed amendment shall be submitted
17	to the electors of the state of Louisiana at the statewide election to be held on October 14,
18	2023.
19	Section 3. Be it further resolved that on the official ballot to be used at said election
20	there shall be printed a proposition, upon which the electors of the state shall be permitted
21	to vote YES or NO, to amend the Constitution of Louisiana, which proposition shall read as
22	follows:
23	Do you support an amendment to eliminate the property tax on inventory
24	over five years and limit the exemption manufacturers can receive under the
25	industrial tax exemption program to sixty percent for school-related property
26	taxes and eighty percent for all other property taxes?
27	(Amends Const. Art. VII, Sec. 21(F); adds Const. Art. VII, Sec. 21(O))

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Leonore Heavey.

SB 2 Original

DIGEST 2023 Regular Session

Allain

<u>Present constitution</u> provides that all property is subject to ad valorem taxation unless specifically exempted.

<u>Present constitution</u> authorizes the State Board of Commerce and Industry, with gubernatorial approval, to enter into contracts to exempt new and expanding manufacturing facilities from ad valorem taxation.

<u>Proposed constitutional amendment</u> retains the ability of the board to enter into contracts to exempt certain manufacturing facilities from certain ad valorem taxes.

<u>Proposed constitutional amendment</u>, beginning January 1, 2024, prohibits the board from providing an exemption for a manufacturing facility for more than 60% of the assessed value of the property for all local public school board ad valorem taxes and not more than 80% of the assessed value of the property for all other ad valorem taxes.

<u>Proposed constitutional amendment</u> provides that the terms "new manufacturing establishment" and "addition to an existing manufacturing establishment" do not include maintenance, required environmental upgrades, miscellaneous capital improvements, or replacements of existing machinery or equipment.

<u>Proposed constitutional amendment</u> provides that the tax commission establish criteria for determining the value of property after ten years of use and that these criteria shall be uniform throughout the state.

<u>Proposed constitutional amendment</u> phases out the ad valorem tax for goods held in inventory over a five-year period in equal percentages, beginning with ad valorem taxes due in 2024 and completely exempting inventory from ad valorem taxation for ad valorem taxes due on or after 2028.

Specifies submission of the amendment to the voters at the statewide election to be held on October 14, 2023.

(Amends Const. Art. VII, Sec. 21(F); adds Const. Art. VII, Sec. 21(O))