

2021 Regular Session

SENATE BILL NO. 158

BY SENATOR ALLAIN AND REPRESENTATIVE BISHOP

TAX EXEMPTIONS. Constitutional amendment to phase out the ad valorem tax on inventory, reduce the maximum amount of the industrial property tax exemption, and provide for funding for local government. (2/3 - CA13s1(A))

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A JOINT RESOLUTION

Proposing to amend Section 21(F) and to add Sections 21(O) and 26.1 of Article VII of the Constitution of Louisiana, relative to ad valorem tax exemptions; to limit industrial property tax exemptions on ad valorem taxes to no more than eighty percent of assessed value; to exempt inventory from ad valorem taxation over a four-year period; to provide for an annual revenue sharing allocation to offset local revenue reductions due to the exemption of inventory; and to specify an election for submission of the proposition to electors and provide a ballot proposition.

Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of the members elected to each house concurring, that there shall be submitted to the electors of the state, for their approval or rejection in the manner provided by law, a proposal to amend Section 21(F) and to add Section 21(O) and 26.1 of Article VII of the Constitution of Louisiana, to read as follows:

§21. Other Property Exemptions

Section 21. In addition to the homestead exemption provided for in Section 20 of this Article, the following property and no other shall be exempt from ad valorem taxation:

* * *

(F)~~(1)~~ Notwithstanding any contrary provision of this Section, the State 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 up to 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 for the exempt percentage of the assessed valuation. For new contracts or contract renewals entered into pursuant to this Paragraph on or after January 1, 2023, the board shall not grant an exemption for ad valorem taxes for more than eighty percent of the assessed value of the property.

(3) The terms "manufacturing establishment" and "addition" as used herein mean a new plant or establishment or an addition or additions to any existing plant or establishment which engages in the business of working raw materials into wares 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 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.

* * *

(O) Goods held in inventory shall be exempt from ad valorem taxation as follows:

(1)(a) For ad valorem tax year 2023, twenty-five percent of the assessed valuation shall be exempt.

(b) For ad valorem tax year 2024, fifty percent of the assessed valuation

1 shall be exempt.

2 (c) For ad valorem tax year 2025, seventy-five percent of the assessed
3 valuation shall be exempt.

4 (d) For ad valorem tax year 2026 and thereafter, all goods held in
5 inventory shall be exempt from ad valorem taxation.

6 (2) "Goods held in inventory" shall mean goods that are held for sale in
7 the ordinary course of business, goods in production or for ultimate
8 consumption in the production of goods for sale in the ordinary course of
9 business, and goods utilized in the ordinary course of business for marketing
10 and distribution activities.

11 * * *

12 §26.1. Supplemental Revenue Sharing Fund

13 A. Beginning in Fiscal Year 2023-2024, fifty million dollars shall be
14 allocated annually from the state general fund to the supplemental revenue
15 sharing fund. In Fiscal Years 2024-2025, 2025-2026, and 2026-2027, this annual
16 allocation shall increase by fifty million dollars each year. For fiscal years after
17 Fiscal Year 2026-2027, the annual allocation shall be two hundred million
18 dollars.

19 B. The annual allocation shall be distributed annually on the basis of
20 population in each parish in proportion to population throughout the state.
21 Unless otherwise provided by law, population statistics of the last federal
22 decennial census shall be utilized for this purpose. After deductions for
23 retirement system contributions and costs of tax administration as authorized
24 by law, the remaining funds, to the extent available, shall be distributed to the
25 ad valorem tax collectors in the parish, based on the aggregate tax rolls in the
26 parish as certified by the parish assessor, for disbursement to the tax recipient
27 bodies within the parish solely in proportion to their ad valorem tax collections
28 in order to offset current losses because of exemptions granted in Section 21(O)
29 of this Article.

1 **C. Bonded Debt. A political subdivision, as defined by Article VI of this**
2 **constitution, may incur debt by issuing negotiable bonds and may pledge for the**
3 **payment of all or part of the principal and interest of the bonds the proceeds**
4 **derived or to be derived from that portion of the funds received by it from the**
5 **supplemental revenue sharing fund, to offset current losses caused by**
6 **exemptions for inventory granted by Section 21(O) of this Article. Bonds issued**
7 **under this Paragraph shall be issued and sold as provided by law, and shall**
8 **require approval of the State Bond Commission or its successor prior to**
9 **issuance and sale.**

10 **D. The funds distributed to local taxing authorities pursuant to this**
11 **Section shall be considered as ad valorem taxes collected by the taxing authority**
12 **for purposes of millage adjustments pursuant to Section 23(B) of this Article.**

13 Section 2. Be it further resolved that this proposed amendment shall be submitted to
14 the electors of the state of Louisiana at the statewide election to be held on November 8,
15 2022.

16 Section 3. Be it further resolved that on the official ballot to be used at said election
17 there shall be printed a proposition, upon which the electors of the state shall be permitted
18 to vote YES or NO, to amend the Constitution of Louisiana, which proposition shall read as
19 follows:

20 Do you support an amendment to exempt ad valorem taxes on inventory over
21 four years, to provide for a reduction of the allowable exemption of ad
22 valorem taxation under the industrial tax exemption program, and to provide
23 for funding to offset any local revenue loss?

24 (Amends Article VII, Section 21(F); adds Article VII, Section 21(O) and
25 26.1(F))

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

DIGEST

SB 158 Original

2021 Regular Session

Allain

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

Present constitution 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.

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

Proposed constitutional amendment, beginning January 1, 2023, prohibits the board from providing an exemption for a manufacturing facility for more than 80% of the assessed value of the property.

Proposed constitutional amendment 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.

Proposed constitutional amendment 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.

Proposed constitutional amendment phases out an ad valorem tax for goods held in inventory over a four-year period in equal percentages, beginning in ad valorem tax year 2023, completely exempting inventory from ad valorem taxation after ad valorem tax year 2025.

Proposed constitutional amendment defines "inventory" as goods that are held for sale in the ordinary course of business, goods in production or for ultimate consumption in the production of goods for sale in the ordinary course of business, and goods utilized in the ordinary course of business for marketing and distribution activities.

Proposed constitutional amendment creates a supplemental revenue sharing fund that will be used to offset revenue losses attributable to the phase-out of the tax on inventory.

Proposed constitutional amendment supplemental revenue sharing fund will be \$50 million in FY 2024, and increases \$50 million per fiscal year until FY 2027 and will be \$200 million per year beginning FY 2027.

Proposed constitutional amendment supplemental revenue sharing fund will be distributed each year to parishes by population and will be forwarded to the parish tax collectors to be distributed to tax recipient bodies within the parish in proportion to their ad valorem tax collections.

Proposed constitutional amendment authorizes political subdivisions to incur debt by issuing negotiable bonds and may pledge for the payment of all or part of the principal and interest of the bonds the proceeds derived or to be derived from that portion of the funds received by it from the supplemental revenue sharing fund, to offset current losses caused by exemptions for inventory granted in this proposed constitutional amendment.

Proposed constitutional amendment provides that the monies distributed to each local taxing

authority from the supplemental revenue sharing fund shall be considered as ad valorem tax revenue for purposes of the constitutionally required rollback after the next reassessment.

Specifies submission of the amendment to the voters at the statewide election to be held on November 8, 2022.

(Amends Const. Art. VII, Sec. 21(F); adds Const. Art. VII, Sec. 21(O) and 26.1(F))