



LED: Louisiana Economic Development

Industrial Tax Exemption

The Louisiana Industrial Ad Valorem Tax Exemption Program (ITEP) is an original state incentive program which offers an attractive tax incentive for manufacturers within the state. The program abates, up to ten years, local property taxes (Ad Valorem) on a manufacturer's new investment and annual capitalized additions related to the manufacturing site.

ELIGIBILITY

Businesses must be classified as a manufacturer or related to the manufacturing project in order to receive the benefits of the ITEP program. ITEP is only available for activities related to manufacturers:

- A manufacturer, as identified by the federal government, has a North American Industry Classification System (NAICS) code that begins with 31, 32 or 33.
 - The NAICS is used as a preliminary qualification criterion. If the company does manufacturing but does not have the manufacturing NAICS code and 50+% of the activities at the site are considered manufacturing, then additional steps are required to determine eligibility.
 - A detailed description of the activities to be considered manufacturing are provided by the company.
 - A site inspection will be performed by LED to determine if the activity is manufacturing.
- The program can be used by manufacturers new to Louisiana and is also available to existing manufacturers in Louisiana with new investments and miscellaneous capital additions to existing facilities.

GETTING STARTED

The Industrial Tax Exemption Program has two possible forms of application - an application without an advance, or an application with an advance. Begin the process by first determining if the project meets the criteria for a Miscellaneous Capital Addition, as follows:

- Will the project cost less than \$5,000,000?
- Will the project take no longer than 18 months to complete?
- No other incentive programs are associated with this project.

If the anticipated project meets these criteria, proceed with the project, and once the project is completed (finished or operational), within 90 days of completion. You may download the [ITEP application](#) or [apply online](#).

If the project does not meet the above criteria of a Miscellaneous Capital Addition or the project

includes another incentive program, then getting started is a click away. Submit your advance notification and pay online before you start construction, hire, and/or make purchases towards the project's capital investment.

- Once the project is completed, (finished or operational), then the application is filed within 90 days with LED.

NEXT STEPS

After LED's Business Incentive department receives your advance notification and fee, you are now ready to start your project:

- **Begin your project.** This includes construction, purchase of equipment, building and materials items, hiring and other capital investment transactions.
- **File for an Unemployment Insurance Identification Number** (if you do not have one). Contact the [Louisiana Workforce Commission](#) at 225.342.3171 to apply for an unemployment identification number. They will also assign a North American Industrial Classification System (NAICS) code to your company. This will identify the type of activities that occur at the plant.
- **Submit your program application.** After the completion of your project, submit your [application](#) with fee no later than 90 days after your project completion date.
 - See [Millage Rates](#) for calculation in Section 4 of the application. Use the year in which you filed your application.
 - If you are a consultant and filing on behalf of a company, you must complete and submit the [Disclosure Authorization form](#).
- **Review of application.** Once LED receives your application and fee, the office staff will review your application for compliance with the program rules, verify submitted information, and make a recommendation to the Board of Commerce and Industry. Applications are reviewed every 45 days prior to the board meeting, and applicants will be notified within 14 days of the board meeting and provided with instructions and the time and location of the meeting.
- **Board review.** Your application is presented to the Board of Commerce and Industry for approval. The board convenes every other month, meeting six times per calendar year.
- **Issue contract.** After an application is approved by the Board of Commerce and Industry, three original contracts will be mailed to you for your signature. The initial contract is only for five years.
- **Submit Project Completion Report.** File with LED within 90 days after the beginning of operations, completion of construction or receipt of the fully executed contract, whichever occurs last.
- **Submit Affidavit of Final Cost.** File with LED within six months of the beginning of operations, completion of construction or within 90 days of the receipt of the executed contract, whichever occurs last. This form requires a fee of \$100.
- **Annual Report.** This form is due by May 1 of the year following board action. For example, if the board approved your application on April 20, 2012, then the annual report would be due May 1, 2013.
- **Renewal contract.** The application of renewal must be filed at LED not more than six months prior to and not later than the expiration of the initial contract. This form requires a \$50 renewal fee.

- **Board review.** The signed renewal contract will be taken to the Board of Commerce and Industry for approval. Once approved and signed by the Governor, the fully executed renewal contract will be sent, and your application is approved for the last five years.
- **Expiration letter.** A letter will be sent by LED to the contract holder and the Parish Assessor in September identifying the contract and the amount that will be going onto the tax rolls at the end of the contract period. There is no renewal after the 10 contract years.

ELIGIBILITY SCENARIOS

Q: My company is a manufacturer, but we don't have the manufacturing NAICS code. What do we do to get it changed?

A: You need to contact Mr. Mark Jones at the Louisiana Workforce Commission (LWC). He can be reached at 225.342.3171 or by email at mjones1@lwc.la.gov. He will require a written statement from you (either letter or email) outlining the process that occurs at your facility. He will then make a determination if the NAICS is to be changed.

- Stanford Services is a company that provides repair and maintenance on air conditioning systems. They have a subsidiary, Stanford Duct, that cuts, frames and installs the ducts for high-end air conditioning units. They are separate from Stanford Services, but the NAICS is for the parent which is a non-manufacturer. The LWC can potentially provide a secondary NAICS only for the subsidiary, as long as they have enough employees to qualify for the Louisiana Unemployment ID number, or for a multi site code.

Q: My company's production fluctuates due to our business industry. What happens if our facility shuts down due to current marketing conditions?

A: As long as you can provide information to the Board of Commerce and Industry, that this is a temporary shutdown, they have the option to allow the contract to continue for an additional year, but they will require updates on the status.

Q: If Company ABC purchased Company XYZ and maintained their status as a manufacturer, what do they need to do to continue or get the exemption?

A: All they need to do is file a [Transfer of Contract](#) form for all of the projects that are under active contract. Once approved, all the remaining years of those contracts will be transferred to the new owner. For example:

- Thibodeaux Candy Manufacturers, Inc. has acquired Sweet Home Candies, LLC, and a local company with 33 existing employees. Thibodeaux Candy Manufacturers, Inc. plans to make some modifications to product line of Sweet Home Candies, LLC. Sweet Home Candies has several exemptions currently active. Thibodeaux Candy Manufacturers is going to continue producing candies at the current facility. They provided the Transfer of Contract to the Board of Commerce and Industry and are now the recipients of the exemption.

Q: I will be building a facility for a manufacturer. My company is not in the business of manufacturing, but would I be able to qualify for the program?

A: The ITEP is for manufacturing entities, but we have had new companies building real estate for manufacturing companies. As long as the manufacturing company is located at your facility and is actively producing product, the building will be eligible for the exemption. However, if the company stops manufacturing or moves out, your building would no longer be eligible, unless you are able to

convince another manufacturer to move in and begin manufacturing new product.

Q: My company is creating a new first responder station at our plant. Is that eligible for exemption?

A: As long as the equipment that is put into place, fire truck, trailer, hoses, etc., does not leave the plant (or have a Louisiana License plate), they would be considered eligible.

FAQS

Q: What is the Industrial Tax Exemption Program?

A: This is Louisiana's original incentive program for capital investments, which abates, up to ten years, local property taxes (Ad Valorem) on a manufacturer's new investment and annual capitalized additions.

Q: How do I know if my business is qualified for this program?

A: The Louisiana Workforce Commission assigns Unemployment ID numbers to companies. When they do that process, they also assign the North American Industrial Classification System (NAICS) code to the company to identify the type of business. If the number begins with a 31, 32 or 33, you pre-qualify as a manufacturer. If you do not have this number, and you still feel that your project is manufacturing, there will be additional steps required to confirm your eligibility. One is a detailed description of the process that you consider manufacturing; the other will be a site inspection to confirm that information. To find out what NAICS code you have, call 225.342.3171. Give them your UID (Unemployment ID #) and they can tell you what code has been assigned to your company. If you disagree with the designation, they can tell you what you need to do to correct the number. Your company's application will only be allowed if there is more than 51% manufacturing at the site, with or without the NAICS code.

Q: What happens if it's determined that I have a manufacturing process on my site, but I don't have the NAICS code that qualifies?

A: Your company's application will only be allowed if there is more than 51% manufacturing at the site, with or without the NAICS code. The application can only encompass the manufacturing related assets, not any ancillary assets such as Administration, Warehouse or other support activities.

Q: How do I apply to participate in the Industrial Tax Exemption Program?

A: If your project is going to cost more than \$5 million or go longer than 18 months, you will need to submit an Advance Notification with a \$100 filing fee prior to beginning the project for each program that you want to apply to your project. The Office of Business Incentives Services will acknowledge receipt and send you a URL link to download your application packet, which will include program instructions, procedures, due dates, and a timeline of the program steps. If your project is less than 18 months, under \$5 million, you will file under a portion of the program called Miscellaneous Capital Additions. This will be discussed later.

Q: What is an Advance Notification Form?

A: A document notifying Louisiana Economic Development of an intended project before starting construction, purchasing, or hiring new employees.

Q: Where can I find the Advance Notification form?

A: The Advance Notification form should be completed through [Fastlane](#), LED's secure online

filing system.

Q: What is covered by the exemption?

A: This exemption applies to all improvements to the land, buildings, machinery, equipment, and any other property, that is part of the manufacturing process. For example:

- Elmer Candy Corporation started a new line of candy. They invested in manufacturing equipment to produce their new candy line. They also had to expand their existing facility to incorporate this new line and equipment. The new investment was exempted for ten years.

Q: What is the difference between an Application and Advance Notification?

A: An Advance Notification provides an estimate of your project's total investment and expected new jobs. An Application is submitted after your project is complete and gives actual figures of the expenditures and investments associated with your project.

Q: What is the application process?

A: Ninety days after a project (i.e., expansion of space, addition of new equipment, etc.) is completed or operational - whichever occurs first - the company files an application. If there is an advance for the project, then the advance number is listed on the application. If there is no advance, then no number is listed on the application. There are two ways to file: One is online through our FastLane system, the other is by hard copy. Filing online requires the use of a credit card or e-check. Filing by hard copy requires payment by check.

Q: What items are eligible for exemption?

A: Improvements to site and facility - including non-movable items used to support manufacturing process - i.e., landscaping and office furniture - if located at the manufacturing facility or within the perimeter of the plant.

Q: How do you know if an asset is ineligible?

A: If an asset has ever had Louisiana Property Tax paid on it, it's not eligible; this includes used equipment purchased in-state. If you cannot find out if taxes have been paid, then it is best not to file for that equipment. Land is NEVER eligible. Items that are mobile or leave the plant site are not eligible. For example:

- Company purchases a pickup truck to use on site. The truck does not have a Louisiana license plate so it cannot leave the plant. This truck would be eligible.
- However, if they put a license on the truck - even if it never left the plant - it's not eligible because the opportunity is there for it to leave.
- Another example is laptops. If the company uses laptops in their sales and marketing or administrative offices, they are not eligible.
- If that laptop is physically tied into the manufacturing process, then it's eligible.

Q: How does a company get approved?

A: Once an application has been received at LED, staff reviews the information and contacts the company for any questionable items. After the review is completed and any changes are noted, the application is put on the agenda for approval by the Board of Commerce and Industry. After the meeting and if the application is approved, a contract is issued. The process continues through the execution of the contract by the governor.

Q: You mentioned Miscellaneous Capital Additions, what are they?

A: A manufacturer may submit an application with an accumulation of Miscellaneous Capital Additions (MCA) for a compilation of small capitalized expenditures (projects) which are completed by the end of a calendar year and not greater than \$5 million or longer than 18 months (in total) per application.

- MCA applications must be postmarked no later than March 31 (October 31 for Orleans Parish) of the year following the year these expenditures were made. Each month or portion of a month that you file late, you lose a year of exemption, up to five years.
- Each MCA application may not exceed \$5 million.
- More than one MCA application may be submitted per year.
- MCAs are for the calendar year only.

Q: What happens if I only have one piece of equipment or my project is short lived? Do I have to wait until the deadline to file my MCA?

A: No, you can file your MCA in the same year the project is finished within 90 days of the project being completed.

- One of the rules of the program requires that if you wait until more than 6 months after your project is completed, you have to get a statement from the Assessor in the parish telling me that the project is either not on the tax rolls or that property taxes haven't been paid on the project. Therefore, under the scenario above, if your project started on January 7 and ended February 2, 2011 you could file it by May 2. You could legally wait until March 31 of the 2012 deadline, but you would have to provide the statement from the Assessor with the application.

Q: Does the six month requirement pertain to applications with advances?

A: Yes, there is no difference in the rule. It simply states that if the project is operational or complete and an application is filed six months or more after the end of the project, then the statement is required. The key is the ending date.

Q: The Application asks for a "Restricted Amount" or Obsolete Equipment. What is this?

A: Obsolete equipment is equipment which is either replaced or rebuilt. Below are examples where the reporting of obsolete dollars is required.

- **Replaced Equipment:** An applicant replaces an existing motor which cost, when purchased 12 years ago, \$12,000 with a new motor which cost \$23,000. The applicant is entitled to an exemption on the \$11,000 difference. The total cost of the new motor should be indicated on the application and the replaced motor's original cost should be reflected on the front page of the application in the space marked restricted amount (obsolete equipment).
- **Rebuilt Equipment:** If an item needs to be rebuilt, you are entitled to the difference in cost of rebuilding the item at today's cost minus the cost of the rebuild of this item when it was purchased. If the original item was 15 years old, and it is rebuilt, request the company that is rebuilding the item identify an approximate cost to perform the same service 15 years ago, and include this amount as restricted.
- **Replaced Equipment under Property Tax Exemption:** Items which are currently enjoying an exemption and are replaced must be reported as obsolete equipment. The applicant will not lose the remaining years of exemption on the obsolete dollar amount.

- No Exceptions: Any item which is either rebuilt or replaced that has never enjoyed a property tax exemption must also be reported as obsolete equipment. In all scenarios, the original cost must be identified when possible and if no records exist an estimate cost must be given.
- Under the new rules for the program, there is an exception to all of the above:
 - A deduction for the original cost of property to be replaced will not be made if the project will result in investment that exceeds \$50,000,000.
 - A deduction for the original cost of property to be replaced will not be made if the project is related to the replacement or reconstruction of property after the destruction of or damage to such property as the result of a qualified disaster declared by federal state or local authority - in this case as determined by the Secretary of LED.
 - Additional information is available under Section 511 of the Industrial Tax Exemption Program Rules.

Q: Are there other steps to the program?

A: Yes, when a company gets their fully executed contract, they also receive three forms that are required to be filed:

- PCR - Project Completion Report - need two dates - date project or equipment became operational and date project completed.
- AFC - Affidavit of Final Cost - last chance to make any changes to the project cost - include any costs or items you may have overlooked - or that occurred during the project after you submitted the application. This form includes a \$100 fee for the necessary inspection. One caveat, if the cost of the project changes substantially from the initial application, the difference in application fee is required.
 - For example - company files for a project and lists the project at \$200,000 for total investment. The Application fee is \$200. However, when they file their Affidavit of Final Cost, they include all the eligible expenditures during that time frame and the costs go from \$200,000 to \$2,500,000. (For purposes of this example, I used .1735 as the millage rate). When you multiply the $\$200,000 \times .1735 \times .002 = \69 (or the minimum \$200 fee). Now, when you multiply the $\$2,500,000 \times .1735 \times .002 = \867.50 . That is a difference of \$667.50 - which is required to be paid.
- Annual Report Form. Due not later than 5/1 following the year of board action.
- Once these forms are received and processed, the project is complete until the renewal is due.

Q: When is the renewal due?

A: LED will send copies of renewal contract and instructions six months before the contract expires. For all parishes but Orleans, the renewal must be completed, turned into LED and approved by the Board of Commerce and Industry before 12/31 of the year the renewal is due. As an example, the company filed for 2008 expenses and their contract is from 2008 to 2018 (ten years). The renewal is due 12/31/2013 (or five years before the expiration date). If the contract is not renewed and approved by the Board prior to that date, the contract has expired as of 12/31/2013 and will go on the tax rolls the next year. Orleans Parish has a different time frame. Their contracts are from 8/1 to 7/31. So their renewal would have to be approved by July 31 of that year.

Q: What is required if a company is bought by another company, or changes their name, or moves equipment around?

- If Company ABC purchased Company XYZ and maintains the equipment and facility, and continues to operate as a manufacturer, will they be able to extend any exemption currently in place from the point that they purchased the existing company?
 - No, when a business acquires another business the exemptions that were at the purchased business are able to be continued for the remaining time of the existing contracts. The [Transfer of Tax Exemption Form](#) is required to be filed within 90 days of that purchase for the change from XYZ to ABC. For instance:
 - XYZ had five contracts currently in force; all five of those contracts expire in 2014, 2015 and 2016 respectively. ABC files the Transfer of Contract form for those contracts. They will be transferred to ABC until their expiration dates, at which time they will go on the tax rolls under ABCs name.
- If Company ABC decides that another name is more appropriate, how would they change the name they are operating under for the purposes of this program?
 - The company would file an [Amendment to Contract Form \(Change in Name Only\)](#). This simply states that they are changing from one legal name to another. The department requires that this change have already gone through the Secretary of State's office as well.
- What if Company ABC closed its facility in one location and opened it in another, or what happens if their actual physical address changes because a road is named or a physical address is created?
 - The company would file an [Amendment to Contract Form \(Change in Location Only\)](#) to amend all the contracts to the new physical location.
- What happens when a company that has several branches in Louisiana - all of which are manufacturing facilities, moves a piece of equipment that is under contract to another manufacturing facility within the company?
 - This is called a [Partial Transfer of Assets Form](#). It actually creates a separate contract for the new entity and continues the original exemption in the new location. For example:
 - Bollinger has several pieces of equipment under exemption at their facility in Calcasieu and they move one of those pieces to Fourchon. They would file the Partial Transfer of Contract form, which effectively reduces the original contract and creates a separate contract for the new location. The new location will only receive the same benefit that the original contract location was getting and the contracts will expire in the same year.

A: The only exception to this, if the company that is receiving the new asset has a contract that expires in the same year as the contract the assets are being transferred from. Under that circumstance, amended Affidavits of Final Cost will be filed. One for the company losing the asset and another adding the asset to the new company.

Q: What benefits are available by participating in the Industrial Tax Exemption Program?

A: Benefits include an exemption from property taxes on the new investment for a period of up to ten years.

Q: Are there any local benefits?

A: The exemption from property taxes includes both local and parish taxes. The state has no property tax.

Q: How does the Assessor know about the exemption? Do I have to file anything special?

A: Any time you file an application for the Industrial Tax Exemption Program, the Assessor gets a copy of the documents that you have filed - this includes advances. When you file your application, they get a copy of the form, the approval letter, contracts and any official correspondence and forms related to that project. You need to check with the Assessor in your parish, but normally we recommend that you file your exempted assets on a form called the LAT-5A. Some parishes may not require this form, but you need to check with the Assessor.

Q: Who is the Board of Commerce & Industry?

A: The Board is composed of individuals appointed by the governor of Louisiana, who review and approve applications for certain tax incentive programs, including Enterprise Zone, Industrial Tax Exemption, Quality Jobs and Restoration Tax Abatement.

THE PROCESS

- Submit Advance Notification with fee either online or by mail, and then begin the project (if project is \$5 million or less and will take less than 18 months to complete, skip to step 3).
- File for Louisiana Unemployment ID number (if business does not have one) with the Louisiana Workforce Commission to receive NAICS code.
- Complete the application online and submit any required addendum material to LED for review.
- LED reviews application and submits it to the Board of Commerce and Industry.
- If approved, the Board issues contract through LED.
- Submit Project Completion Report and Affidavit of Final Cost to LED.
- Submit Annual Report to LED.

PROGRAM ADMINISTRATION

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SEE HOW COMPANIES ARE USING THIS PROGRAM



Louisiana's swift permitting process allows Cheniere Energy to create first domestic terminal to export liquefied natural gas.



Lamb Weston commits to creating 275 jobs at LEED-certified sweet potato processing plant in Delhi, La.



Access to ports, rails and interstates attracts \$138 million Dynamic Fuels biofuels plant to Geismar.