

## Industrial Ad Valorem Tax Exemption Program

### THE FACTS

This is Louisiana's original incentive program, for capital investments, and is **for manufacturers only** (as identified by the federal government with NAICS codes that begin with 31, 32 or 33). It may be used by manufacturers new to the State as well as new investments and miscellaneous capital additions to existing facilities in Louisiana.

#### ELIGIBILITY

The Industrial Ad Valorem Tax Exemption Program (ITEP) abates, up to ten years, local property taxes (Ad Valorem) on a manufacturer's **new** investment and annual capitalized additions. This exemption applies to all improvements to the land, buildings, machinery, equipment, and any other property, that is part of the manufacturing process. Granting this incentive must be considered to be in the best interest of the State of Louisiana by the Board of Commerce and Industry. Tax exempt property must remain on the plant site at all times. The land itself is not eligible for tax exemption. **Assets that have had property taxes paid on them – whether by current owner or previous – are not eligible, unless there are improvements to a building – then the improvements can be exempted.**

#### BENEFITS

An approximate **one year benefit** of this program is calculated as follows:

$$\begin{aligned} & \text{Cost of Capital Additions (less obsolete/replaced equipment)} \\ & \times \text{ Application Fee Tax Rate} \\ & \div 10 \\ & = \text{Annual Approximate Property Tax Savings} \end{aligned}$$

#### APPLICATION PROCEDURE

- A. A manufacturer applying for this program must submit an Advance Notification form if an individual project is to be greater than \$5 million, or the business is **also** applying for another incentive program for the same project (such as the enterprise zone or quality jobs) The Advance Notification form must be filed **prior** to purchasing (*installation of the equipment in-state*) or the beginning of construction.
- B. 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 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 MCA application may not exceed \$5 million. More than one MCA application may be submitted per year. MCAs are for the calendar year only.
- C. Contracts may be granted for a maximum of 5 years. An option to renew the exemption for an additional 5 years is available. *Note: An exemption cannot be granted for more than a total of ten years on any investment.*
- D. All applications which include replacement equipment must reduce the application amount by subtracting the original cost of the item(s) being replaced.

#### For additional information contact:

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