

TAX ABATEMENTS & HOW THEY BENEFIT PROJECTS

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AGENDA

- **Industrial Property Tax Exemption Program (ITEP)**
- **Restoration Tax Abatement Program (RTA)**
- **Payment In Lieu Of Tax (PILOT) Agreements**
- **Tax Increment Financing (TIF)**
- **Audience Questions**

INDUSTRIAL PROPERTY TAX EXEMPTION PROGRAM (ITEP)

2025 RULES

APPLICATION & APPROVAL PROCESS

- **Eligible Companies:**
 - Manufacturers operating a manufacturing facility
- **Application due date:**
 - PRIOR to foundations beginning
 - PRIOR to installation of equipment
- **Eligible items:** NEW building, machinery, equipment, improvements, upgrades, capitalized materials
- **Ineligible items:** Miscellaneous Capital Additions, Maintenance Capital, Required Environmental Capital Upgrades, Replacements not part of a Rehabilitation or Restoration, Land, Inventory, Maintenance and Repair costs INELIGIBLE for Capitalization, Moveable/Mobile Property that leaves the site
- **Local Review**
 - 45 Days after Notice from LED
 - ITEP Committee Members

APPLICATION & APPROVAL PROCESS

- LDR & LWC Approval (Concurrent with Local Review)
- Board of Commerce and Industry Review
 - What happens if the local ITEP Committee denies an Application?
- Contract Issuance
- Project Timing
 - Long project timelines
 - Short project timelines

TIMING

- **Contract Length:** 5 years with 5 -year renewal
- **Tax Assessment Date:** January 1
- **Renewal application:** Due before initial contract period expires
- **Documenting multiple exemption periods**
 - Annual Project Property Report (multiple submittals)
 - Replaces: Project Completion Report, Affidavit of Final Cost, Front -End Project Status Reports, Annual Certification Report

BENEFITS & SAVINGS

- 80% Abatement for 5 years with additional 5 -year renewal for a total of 10 years
- Land is always ineligible for abatement
- Example:
 - CAPEX: \$100MM
 - Tax Rate: 12%
 - 15-Year Asset Classification
 - Estimated Taxes for 10 Years without ITEP: \$15MM
 - Estimated Taxes for 10 Years with ITEP: \$3MM



BENEFITS

BENEFITS & SAVINGS

- Mega Project Status Available for Projects \$500M or Greater
- 93%-100% Abatement for 5 years with additional 5 -year renewal for a total of 10 years
- Land is always ineligible for abatement
- Example:
 - CAPEX: \$500MM
 - Tax Rate: 12%
 - 15-Year Asset Classification
 - Estimated Taxes for 10 Years without ITEP: \$75MM
 - Estimated Taxes for 10 Years with ITEP: \$5MM

PRIOR ITEP RULE SETS

NAUNCES FOR EXISTING COMPANIES

- LED is monitoring ITEP Contracts under 5 Rule Sets:
 - 2011, 2017, 2018, 2024 and 2025
- Many companies have contracts in multiple rule sets, as well
- Each rule set has its own definitions, forms, and procedures
- Each rule set has its own abatement percentage(s) applicable
- Each rule set has its own determining factors of eligible and ineligible investments
- Partial transfers to third parties are not being allowed in rule sets post 2011 (2017, 2018, 2024 & 2025)

OPTION TO OPT-OUT OF EXHIBIT A JOBS & PAYROLL

- Available for 2017 and 2018 rule set Contracts
- Simple one -page form with a \$250 filing fee submitted to LED and approved by Board of Commerce & Industry (BC&I)
- Cannot be applied retrospectively
- Earliest application is the year in which BC&I approves the opt -out
- Compliance still required for any project years prior to the year in which the BC&I approves
- When opting out, the form must be filed for each phase of the project
 - Cannot be filed until the phased application is approved by BC&I
 - Extensions to applications up to 6 months could delay approval of opt -out into another project year

SUBMITTALS TO ASSESSOR'S OFFICE

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- LAT5 & LAT5A Forms due 4/1 of each year for assets in service 1/1
- LAT5 includes taxable costs
 - Do not include assets for which there is an ITEP Contract
- LAT5A should include all assets under an ITEP Contract, as well as their estimated non -exempt portion subject to tax, i.e. 20%
- Some parishes do not honor ITEP Contracts that are “pending”
 - If this is the case, payment under protest reserves right to ITEP exemption

RESTORATION TAX ABATEMENT PROGRAM (RTA)

ELIGIBILITY & BENEFITS

Eligible Locations

1. Downtown Development Districts
2. Historic Districts (National Register of Historic Places)
3. Opportunity Zones
4. Economic Development Districts

Benefits

- Tax abatement on improvements to the building for 5 years with the option of a 5-year renewal
 - Building and materials
 - Machinery & Equipment that becomes integral to structure
 - Labor and Engineering
- Ineligible expenses: Acquisition costs, land costs, moveable and personal property

APPLICATION PROCESS

- Advance Notification Form Required prior to Construction (\$250 fee)
- Application Form Required prior to Construction (\$500 - \$15,000 fee)
- Local Resolution is Required to have Application submitted for State Approval
- Louisiana Board of Commerce & Industry Approval Required
- LED and Governor Signature Required on Contract
- Local Resolution is Required to obtain a Renewal Contract or any Contract Amendments
- Submit Project Completion Report and Affidavit of Final Cost to LED to solidify contract term and amount

SUBMITTALS TO ASSESSOR'S OFFICE

- Keep detailed cost records for eligible costs and ineligible costs
- LAT5 & LAT5A Forms due 4/1 of each year for assets in service 1/1
- LAT5 includes taxable costs
 - Do not include assets for which there is an RTA Contract
- LAT5A should include all assets under an RTA Contract, with only ineligible costs removed
- Some parishes do not honor RTA Contracts that are “pending”
 - If this is the case, payment under protest reserves right to abatement

PILOT PAYMENT IN LIEU OF TAX

PILOT 101 - WHAT ARE THEY?

DEFINITION:

Negotiated financial arrangement in which an entity transfers title of property to a governmental entity and thereby agrees to make payments on a specified schedule instead of being taxed by normative standards. Once the title of the property is in the name of a governmental entity, it is exempt from property taxation.

LOUISIANA CONDITION:

Can only apply when there is an agreement to transfer the title of property.

GOAL:

Reduce tax burden and standardize collections over a specified period of time.

PILOT 101 - HOW ARE THEY USED?

COMMON USES:

- Provide an incentive for a new project to be developed
- Lessen burdensome tax structure for business that may move to a more favorable jurisdiction
- Commonly used when the business is not eligible for ITEP or there is no support locally for ITEP.
 - Retail
 - Tank Farms
 - Solar Energy Production Facilities



PILOT 101 - WHAT ARE THE BENEFITS & DRAWBACKS

BENEFITS:

- Provides a reduced tax burden
- Provides payment to the local governmental entity that can then distribute the funds as the entity prescribes
- Fully custom examples include:
 - Rates of Payment can be flat or escalate over the contract term
 - Term of Agreement typically more than 10 years
 - Tax on land may be frozen or escalate at a slower than normal pace

DRAWBACKS:

- Company must transfer title
- Lenders and banks may have concerns with financing the project when the asset is on the books of a governmental entity instead of the borrower

SPECIFICS FOR LOUISIANA PROJECTS

- Title Transfer
- Tax Types
 - Property
 - Sales/Use
 - Inventory
- New Developments
 - Legislative Session 2025: Agreements can only be used for sales and use tax if LED & LDR signoff
 - Act 384 of the Regular 2025 Legislative Session
 - RIB 25-022 issued by Louisiana Department of Revenue



PILOT ILLUSTRATION 1 - CALCULATIONS (20 YEAR)

Scenario: No Incentive

Tax liability: \$4.20M

Net Present Value (5%): \$2.62M

Year	Land Assessment	Other Assessment	Total Liability	Cumulative Liability
1	\$10,000	\$200,000	\$210,000	\$210,000
2	\$10,000	\$200,000	\$210,000	\$420,000
3	\$10,000	\$200,000	\$210,000	\$630,000
4	\$10,000	\$200,000	\$210,000	\$840,000
5	\$10,000	\$200,000	\$210,000	\$1,050,000
6	\$10,000	\$200,000	\$210,000	\$1,260,000
7	\$10,000	\$200,000	\$210,000	\$1,470,000
8	\$10,000	\$200,000	\$210,000	\$1,680,000
9	\$10,000	\$200,000	\$210,000	\$1,890,000
10	\$10,000	\$200,000	\$210,000	\$2,100,000
11	\$10,000	\$200,000	\$210,000	\$2,310,000
12	\$10,000	\$200,000	\$210,000	\$2,520,000
13	\$10,000	\$200,000	\$210,000	\$2,730,000
14	\$10,000	\$200,000	\$210,000	\$2,940,000
15	\$10,000	\$200,000	\$210,000	\$3,150,000
16	\$10,000	\$200,000	\$210,000	\$3,360,000
17	\$10,000	\$200,000	\$210,000	\$3,570,000
18	\$10,000	\$200,000	\$210,000	\$3,780,000
19	\$10,000	\$200,000	\$210,000	\$3,990,000
20	\$10,000	\$200,000	\$210,000	\$4,200,000
NPV (%5)			\$2,617,064	

PILOT ILLUSTRATION 2 - CALCULATIONS (20 YEAR)

**Scenario:
ITEP (80%/10Y)**

Tax liability: \$2.6MM

Net Present Value (5%): \$1.38MM

Year	Abatement Value	Cumulative Abated	Taxes Paid	Cumulative Paid
1	\$160,000	\$160,000	\$50,000	\$50,000
2	\$160,000	\$320,000	\$50,000	\$100,000
3	\$160,000	\$480,000	\$50,000	\$150,000
4	\$160,000	\$640,000	\$50,000	\$200,000
5	\$160,000	\$800,000	\$50,000	\$250,000
6	\$160,000	\$960,000	\$50,000	\$300,000
7	\$160,000	\$1,120,000	\$50,000	\$350,000
8	\$160,000	\$1,280,000	\$50,000	\$400,000
9	\$160,000	\$1,440,000	\$50,000	\$450,000
10	\$160,000	\$1,600,000	\$50,000	\$500,000
11	\$ -	\$ -	\$210,000	\$710,000
12	\$ -	\$ -	\$210,000	\$920,000
13	\$ -	\$ -	\$210,000	\$1,130,000
14	\$ -	\$ -	\$210,000	\$1,340,000
15	\$ -	\$ -	\$210,000	\$1,550,000
16	\$ -	\$ -	\$210,000	\$1,760,000
17	\$ -	\$ -	\$210,000	\$1,970,000
18	\$ -	\$ -	\$210,000	\$2,180,000
19	\$ -	\$ -	\$210,000	\$2,390,000
20	\$ -	\$ -	\$210,000	\$2,600,000
NPV (%5)	\$1,235,477.59		\$1,381,586.58	

PILOT ILLUSTRATION 3 - CALCULATIONS (20 YEAR)

**Scenario:
ITEP (70%/20Y)**

Tax liability: \$1.4MM

Net Present Value (5%): \$0.87MM

Year	PILOT Payment	Cumulative Paid	Saved (70%)	Cumulative Saved
1	\$70,000	\$70,000	\$140,000	\$140,000
2	\$70,000	\$140,000	\$140,000	\$280,000
3	\$70,000	\$210,000	\$140,000	\$420,000
4	\$70,000	\$280,000	\$140,000	\$560,000
5	\$70,000	\$350,000	\$140,000	\$700,000
6	\$70,000	\$420,000	\$140,000	\$840,000
7	\$70,000	\$490,000	\$140,000	\$980,000
8	\$70,000	\$560,000	\$140,000	\$1,120,000
9	\$70,000	\$630,000	\$140,000	\$1,260,000
10	\$70,000	\$700,000	\$140,000	\$1,400,000
11	\$70,000	\$770,000	\$140,000	\$1,540,000
12	\$70,000	\$840,000	\$140,000	\$1,680,000
13	\$70,000	\$910,000	\$140,000	\$1,820,000
14	\$70,000	\$980,000	\$140,000	\$1,960,000
15	\$70,000	\$1,050,000	\$140,000	\$2,100,000
16	\$70,000	\$1,120,000	\$140,000	\$2,240,000
17	\$70,000	\$1,190,000	\$140,000	\$2,380,000
18	\$70,000	\$1,260,000	\$140,000	\$2,520,000
19	\$70,000	\$1,330,000	\$140,000	\$2,660,000
20	\$70,000	\$1,400,000	\$140,000	\$2,800,000
NPV (%5)	\$872,354.72		\$1,744,709.45	

TIF

TAX INCREMENT FINANCING

TIF 101 - WHAT IS IT?

DEFINITION:

Public financing tool that uses future increases in tax revenue to fund current development.

PURPOSE:

Encourage redevelopment and economic growth without raising taxes.

GOAL:

Capture the 'tax increment' — the increase in property, sales tax, and/or hotel tax revenue after an area is developed to reinvest in the area or pay down bond issued.

TIF 101 - HOW DOES A TIF WORK?

1. Designate a TIF District – Area identified for redevelopment through local ordinance.
2. Freeze Base Value – Record tax baseline.
3. Make Improvements – Fund infrastructure or economic projects.
4. Capture Increment – Increased tax revenue above baseline used to repay bonds or reinvest.

SPECIFICS FOR LOUISIANA PROJECTS

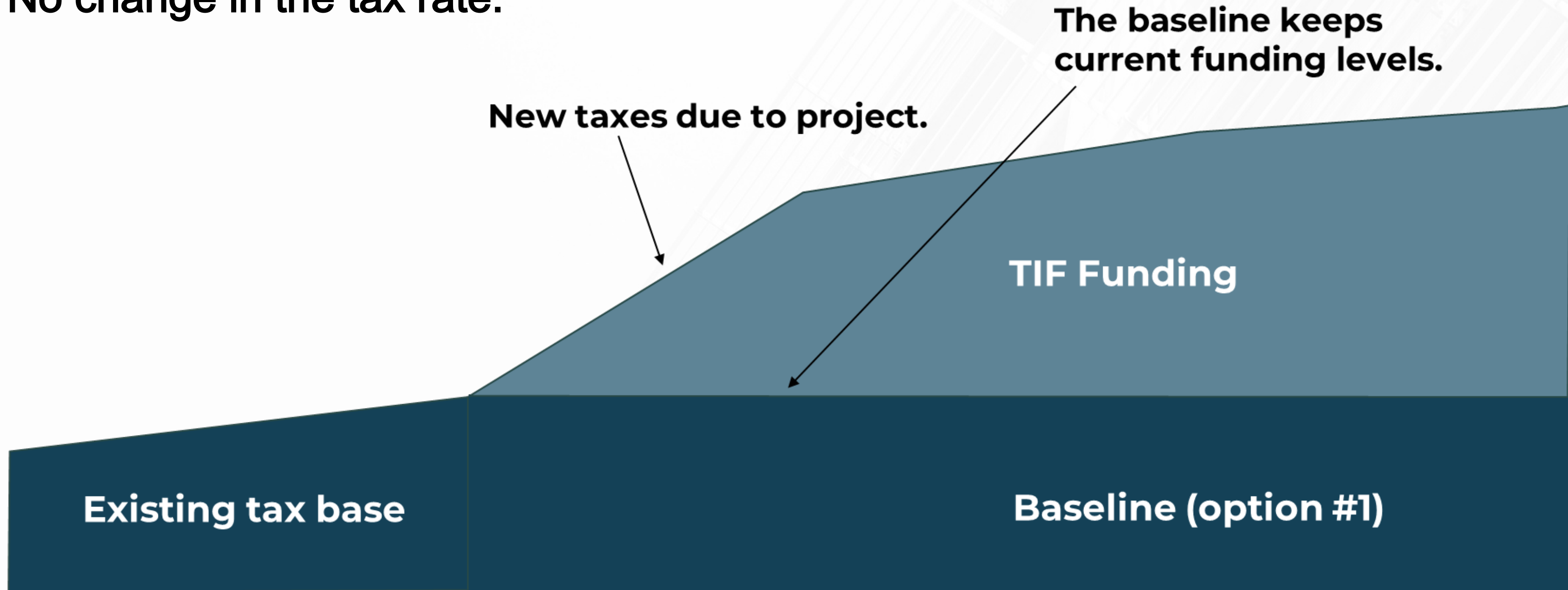
- **Special Election:** Required for ad valorem (property tax) increments.
 - Same requirement does not exist for sales/use or occupancy tax
- **No Impairment:** Cannot use funds already dedicated to existing obligations.
- **Baseline Requirement:** Must set and maintain a base year for comparison.
- **Public Approval:** Sales tax TIFs require public hearings and defined boundaries.
- **Ad Valorem TIF:** Based on property tax increases (R.S. 33:9032).
- **Sales Tax TIF:** Based on increases in local sales tax collections (R.S. 33:9038.34).
- **Hotel Occupancy TIF:** Allows certain districts to use lodging tax increments.

LIMITATIONS & ACCOUNTABILITY

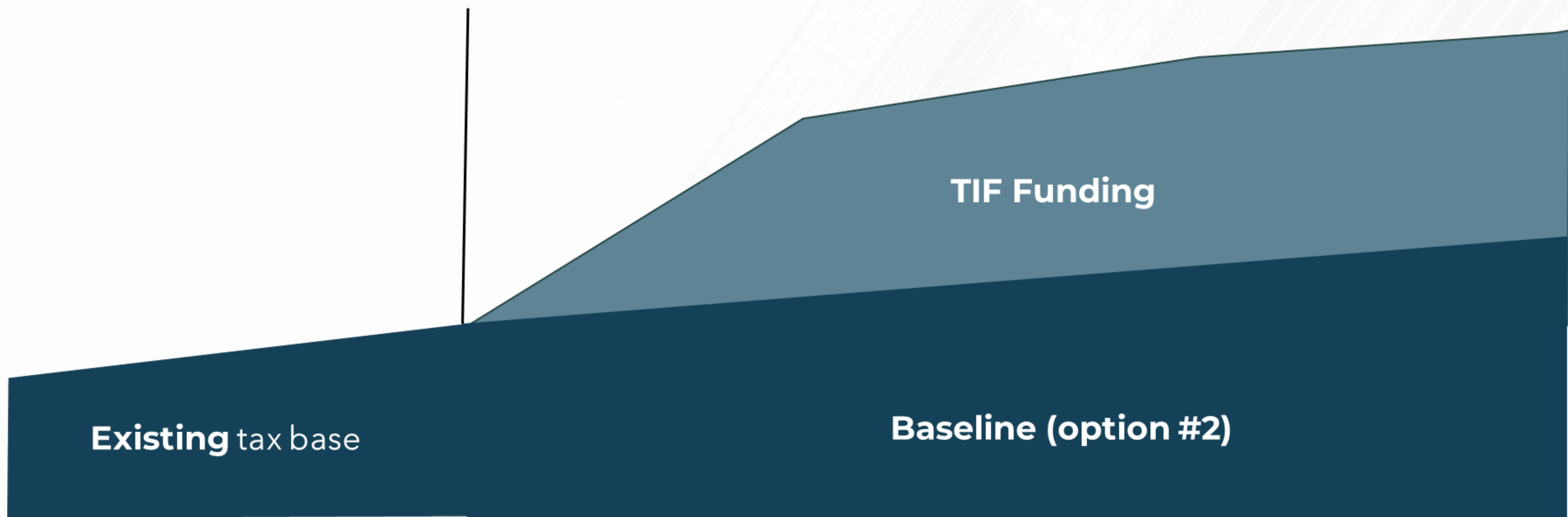
- Cannot capture state -level sales taxes (except grandfathered projects).
- No Blight Finding Required: Unlike other states, Louisiana doesn't require proof of blight.
- No Mandatory Feasibility Study: Local discretion applies.
- Must not supersede existing dedicated taxes or obligations.
- Local governing bodies define district boundaries, eligible projects, and baseline revenue.
- Transparency encouraged through annual reports and public hearings.

TIF ILLUSTRATION 1

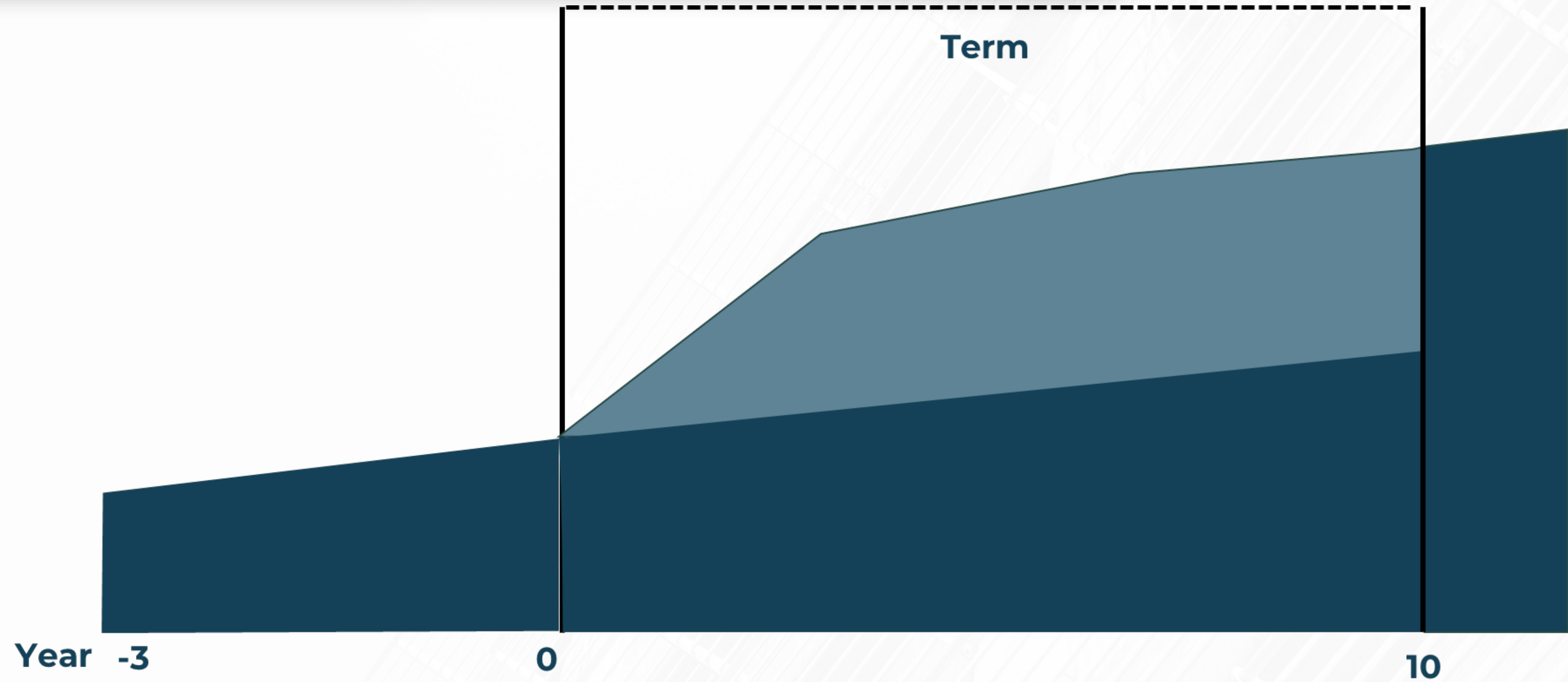
No change in the tax rate.



TIF ILLUSTRATION 2



TIF ILLUSTRATION 3



TIF FUNDING ILLUSTRATION

Discount Rate		4.0%	
	Year	Annual TIF Funding	NPV
	1	\$ 5,000,000	\$4,807,692.31
	2	\$ 5,000,000	\$9,430,473.37
	3	\$ 5,000,000	\$13,875,455.17
	4	\$ 5,000,000	\$18,149,476.12
	5	\$ 5,000,000	\$22,259,111.66
	6	\$ 5,000,000	\$26,210,684.28
	7	\$ 5,000,000	\$30,010,273.35
	8	\$ 5,000,000	\$33,663,724.37
	9	\$ 5,000,000	\$37,176,658.05
	10	\$ 5,000,000	\$40,554,478.90
	11	\$ 5,000,000	\$43,802,383.55
	12	\$ 5,000,000	\$46,925,368.80
	13	\$ 5,000,000	\$49,928,239.23
	14	\$ 5,000,000	\$52,815,614.65
	15	\$ 5,000,000	\$55,591,937.16
	16	\$ 5,000,000	\$58,261,478.04
	17	\$ 5,000,000	\$60,828,344.27
	18	\$ 5,000,000	\$63,296,484.87
	19	\$ 5,000,000	\$65,669,696.99
	20	\$ 5,000,000	\$67,951,631.72

TIF USE OF PROCEEDS (EXAMPLES)

- Administrative costs
- Economic development funding
- Local Incentive
 - **Necessary public infrastructure**
 - Traffic upgrades (turn lanes and traffic lights)
 - Sewerage and water line upgrades
 - Other public utilities
 - **Reimbursement of costs**
 - Site improvement
 - Drainage
 - Logistics (rail spur, ingress/egress)
 - **Community Improvements**
 - Public infrastructure improvements not related to project development
 - Workforce development programs
 - Site certification costs

TIF EXAMPLE PROJECTS

Cabela's®



QUESTIONS?



Business Incentives | Sales & Use Tax | Property Tax | Income & Franchise Tax
 Severance Tax | Compliance & Advisory | Appeals & Disputes | Government Relations

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