JULY 2024

PRIMER ON LOUISIANA TAX STRUCTURE

LOUISIANA
DEPARTMENT of REVENUE

TABLE OF CONTENTS

This primer was prepared by the Louisiana Department of Revenue (LDR). Tax exemption data in this report was taken directly from LDR's Tax Exemption Budget publication; however, in some cases supplemental data and/or estimates from LDR have been utilized to better illustrate selected concepts.

OVERVIEW OF STATE TAX SYSTEMS

State tax systems are composed of many elements, including the "base" of activity subject to tax, rates, brackets, and exemptions. As used in this primer, "exemptions" refers to provisions of state tax statutes that allow a special exclusion, exemption, or deduction from gross income or sales, or provide a special credit, preferential rate of tax, or deferral of tax liability. **The tax system determines individual and business tax burdens in a state, which contribute to its competitiveness in attracting, retaining, and expanding businesses.**

It is generally accepted that the ideal factors of a tax system include a broad tax base, a single flat rate for each tax type, multiple revenue sources, and few exemptions, resulting in a simple, transparent system that provides predictable and stable government revenue. A simpler system also makes compliance easier, reducing administrative costs both for the taxpayer and government, and contributes to fairness and equity by taxpayers.

A state tax base is the value of a set of assets, investments, transactions, or income streams (depending on the tax type) **that are subject to taxation.** A tax rate is the percentage or value applied to the tax base used to calculate various taxes. Tax brackets are the divisions at which tax rates change; they are the ranges for taxable income.

A tax system begins with a particular tax base. The base is then taxed at certain rates. The tax system, and thus the state revenue stream, relies on the ability and willingness of taxpayers to understand, comply with, and properly self-assess their respective tax liabilities. A broad base with low rates and few exemptions makes it easier for taxpayers to understand and comply with the tax system and for the state or local government to administer it. In a simpler system, with few or no tax exemptions, the base remains broad (rather than narrowed by exemptions), and lower tax rates can yield the same revenue levels as a more complex system with higher rates and more exemptions while also providing greater benefits.

States with multiple streams of tax revenue avoid reliance on one particular tax type. This balanced approach provides a greater degree of revenue stability and predictability, because tax revenues are affected differently by changes in the economy. Most states, like Louisiana, operate under a balanced budget requirement in which the ability to predict how much revenue is likely to be collected and when its collection will occur is critical for stability. Many states, including Louisiana, derive the majority of state tax revenue from sales and individual income tax, along with a differing mixture of other tax sources. In addition to state tax revenues, some states also permit local governments to levy and collect additional taxes.

OVERVIEW OF LOUISIANA TAX SYSTEM

Louisiana's state tax system is comprised of numerous tax types. The main tax types are (from greatest revenue collections to least as reported in LDR's Annual Report FY 22-23):

- Individual income tax (IIT)
- Sales tax
- Corporate income tax (CIT)
- Severance tax
- Petroleum tax

The measure upon which tax liability is assessed – the tax base – varies for each tax type listed above. For example, the sales tax base in Louisiana consists of the sales of tangible personal property, the rental or lease of movable property, and sales of select services. While a broad-based sales tax will apply to most of its potential tax base, meaning that the sales tax applies to all purchases of goods and services, a narrow-based tax will apply to fewer items.

Louisiana authorizes more than 500 different tax exemptions (as of the 2022-2023 version of LDR's Tax Exemption Budget, "TEB"). These exemptions generally function to decrease tax burdens and are found in every tax type. Each exemption was created by the Legislature to attain policy goals, ranging from compliance with federal prohibitions on taxation and driving specific consumer behavior, to creating investment incentives that spur job creation and generate future new tax revenue. Depending on the specific exemption and target desired policy goal, exemptions can benefit all or most Louisiana taxpayers, or they can apply to a specific class of taxpayer.

In general, an individual income tax exemption will usually lower tax burdens for participating individuals and their pass-through businesses. Corporate tax exemptions usually result in lower tax burdens for participating businesses. Sales tax exemptions usually result in an exemption of an item or a type of transaction from taxation, thus a lower net cost to the purchaser.

A tax structure with a smaller taxable base (typically characterized by numerous tax exemptions) generally has higher tax rates than a tax structure with a broader taxable base (typically characterized by fewer exemptions). Accordingly, when tax exemptions are removed (broadening the taxable base), marginal tax rates can generally be reduced to a certain degree while maintaining budget neutrality. Economic development exemptions could be an exception to this general rule if they are designed in such a fashion that they help successfully secure additional economic activity, such as jobs, sales, and tax revenues that otherwise would not exist. In Louisiana, the fiscal impact of all state tax exemptions is accounted for in the Revenue Estimating Conference forecasting process, which estimates the expected revenues for the state.

Tax rates in Louisiana also vary for each tax type. Both income taxes (individual and corporation) apply different tax rates depending on the amount of income earned, also called a graduated tax structure. The current individual income and corporation income tax structures each contain three brackets (the range of income on which the rate applies), with rates increasing as income rises. While three brackets for individual income tax is the average nationally, three brackets for corporation income tax is above the norm. Twenty-nine states have a flat corporation income tax rate and an additional seven have only two brackets.[2] The state sales tax rate is a flat rate with no brackets. The severance tax rate varies depending on the type of well producing the oil or gas, and the petroleum tax rate is a flat rate assessed on volume.

Local political subdivisions impose ad valorem property taxes. While the state does not impose or administer ad valorem taxes, it does administer various credits (generally claimed against income taxes) which reimburse, at least in part, taxpayers for certain ad valorem taxes paid to local governments.

LOUISIANA'S TAX COMPETITIVENESS

A state's tax structure influences its overall economic competitiveness for attracting businesses and individuals, and for retaining and expanding those productive resources over time.

A competitive tax structure involves stability, simplicity, administrative ease, and of course a reasonable overall tax burden for different types of businesses and individuals. It also involves a reasonable degree of compatibility with tax systems in other states, consistent treatment for interstate operations, and conformity with the federal tax system. Exemptions make up part of a state's overall tax system, along with the types of taxes levied, tax rates and brackets, and other factors. As such, it is the entire tax system, not just exemptions, that determines a state's tax burdens and competitiveness.

There are many measures of competitiveness because tax systems impact different types of taxpayers in different ways. In fact, even if a tax system were applied to all taxpayers in exactly the same way, their individual tax burdens could be significantly different due to fundamental differences in the nature of their activities. For example, a capital-intensive business would generally pay much higher property taxes than its counterparts in other sectors. Given these differences and nuances, tax competitiveness should be viewed in general terms (e.g., overall state/local tax collections per capita, excluding taxes paid by residents and businesses located in other states) and in particular areas (e.g., state/local tax burden for key industry sectors).

The following sections describe how Louisiana stacks up on evaluations that focus on tax competitiveness and burdens in particular. Some of the measures are used as inputs for the tax-related components in broader rankings of state business climates.

Business Tax Competitiveness

Evaluations of state business tax competitiveness come in many forms (e.g., indices, rankings, data tables) and can be based on tax rates (e.g., corporate tax rate) or tax burdens (e.g., ratio of taxes paid to profits). For example, some studies compare total tax collections or business tax collections per capita or as a percent of total tax revenue. Others assess the relative value of tax incentives available for different types of businesses, while still others define model tax structure principles and measure a state's tax code relative to that model. However, few studies provide comparisons of actual state business tax burdens from a realistic business perspective. Accordingly, many comparisons of business tax burdens not only consider tax rates, but also reflect state statutory incentives (exemptions) and industry-specific factors (e.g., apportionment formulas), as applied to model firms.

One of the most comprehensive analyses of business tax competitiveness is *Location Matters: A Comparative Analysis of State Tax Costs on Business,* which was created by the Tax Foundation and KPMG. The report provides an apples-to-apples comparison of state and local corporate tax burdens in all 50 states. To create the study, state and local tax burdens for several industry sectors were analyzed for both new and mature operations. Despite Louisiana's generous tax incentives, the tax burden for new capital-intensive manufacturing firms ranks 43rd.[3] Louisiana's tax incentives generally favor new businesses which leaves mature operations with above-average tax burdens.[4] The tax burden for both new and mature data centers rank 47th.[5]

The Tax Foundation also publishes the *State Business Tax Climate Index.* The index measures all 50 states on corporate, individual income, sales, unemployment insurance, and property taxes. It does not consider industry mix and evaluates state tax systems based on how closely they align with principles of tax neutrality and fairness rather than on actual business tax burdens.

States that do not levy taxes in all five categories have an advantage over more complex tax systems like Louisiana's. **Overall, Louisiana is ranked 40th in the U.S.**, and 48th in the sales tax component (in large part because Louisiana has a relatively complex sales tax system and the highest average local sales tax rate in the country).[6] Other factors contributing to Louisiana's relatively low overall rank include the number of different tax types levied (top-ranked states generally do not levy one or more of the major taxes), the relatively high rates and graduated structure of the state's individual income tax and corporation income tax (these factors are encouraged by the

2 Tax Foundation, State Corporate Income Tax Rates and Brackets, 2023

3 Location Matters 2021: The State Tax Costs of Doing Business

4 *See footnote 3.*

5 *See footnote 3.*

6 Tax Foundation: 2024 State Business Tax Climate Index

presence of many exemptions, including deductions for federal income taxes paid), the different types of tax incentives applied against its corporation income tax, and the presence of various sales tax exemptions and excise taxes. Furthermore, as one of a handful of states with local property taxes on business inventory, Louisiana is negatively impacted in many rankings (e.g., Pollina Corporate Real Estate), even though a state inventory tax credit in Louisiana offsets the impact of local inventory taxes paid by businesses.

Most corporate executives are far more concerned with their bottom-line state and local tax burdens than they are with the philosophical structure of a particular state's tax system. Nevertheless, the Tax Foundation's *State Business Tax Climate Index* is still incorporated into a variety of state business climate rankings.

Individual Tax Competitiveness

There is wide variation in the structure of state and local tax systems that impact individuals across the U.S. Similarly, there are many methods to measure the tax competitiveness of states. No measure fully explains the whole picture of individual tax burdens, especially since rankings typically reflect the philosophy of the author or publishing organization. Nonetheless, state residents are typically most pleased when they feel their tax rates are reasonable and not excessively high. It is important to view individual tax burdens comprehensively as there are considerable variations in tax structure across states. For instance, states that do not levy certain taxes (e.g., income tax) typically have substantially higher effective rates for other tax types (e.g., property tax) to support public services at sufficient levels.

The Tax Foundation's *State and Local Tax Burdens,* report has consistently ranked Louisiana's overall individual state and local tax burden as one of the lower in the U.S. based on the total amount of taxes paid by a state's residents relative to total individual income in the state.[7] However, while Louisiana's 2022 state and local tax burden of 9.1% of income is notably below the national average of 10.6%, in 2019, Louisiana's tax burden was 8.9% and ranked 7th lowest.[8] In 2024, **Louisiana's individual income tax system ranked 29th.**[9] The top ranking states have no income tax, tax only certain types of income or have a single, low rate.[10]

A 2023 Tax Foundation report ranked Louisiana as having the highest combined state and local sales tax rates.[11] While Louisiana has one of the lowest state sales tax rates (9th lowest among states with a state sales tax), the inclusion of high local sales tax rates moves Louisiana towards the bottom in terms of the combined state and local rate (9.563%).[12]

OVERVIEW OF TAX EXEMPTIONS IN LOUISIANA

The state of Louisiana's tax laws authorize 564 tax exemptions (as of the 2022-2023 version of LDR's TEB), 26 of which are authorized by the state's constitution or are required to comply with federal law prohibiting taxation.

Purpose of Tax Exemptions

Tax exemptions in Louisiana have a wide variety of policy goals and generally function to reduce tax burden. These goals range from generating business activity that will create future new tax revenue to driving specific consumer behavior and job creation. Not all tax exemptions were created by the Legislature to result in a net financial benefit to the state. For example, the prohibition of sales tax on *Prescription Drugs* provides financial relief for necessary medical expenses of individuals and families. **Tax exemptions benefit both businesses and individual taxpayers and are present in all of Louisiana's major tax types.**

Tax Exemptions Defined

An item is generally considered a tax exemption if the tax revenue associated with that item is reduced due to a specific constitutional, statutory, or federal provision. The definition of *tax exemption* provided in R.S. 47:1517, for purposes of the annual TEB, is the same as the definition used for this primer.

Tax exemptions can take several forms. The primary difference between the various classes of exemptions is the mechanism used to reduce taxes paid, encourage certain behaviors or activities, and/or attain specific policy goals. The most common tax exemption classes (i.e., those representing nearly 85% of all exemptions in Louisiana) fall into the following categories:

- **Exemption** - a mechanism that prevents taxation on an item or class of items that would normally be taxed under the law.
- **Exclusion** - the absence of taxation of an item or class of items.
  - Louisiana law often conflates the term "exclusion" with "exemption," such that the former may be used to describe a mechanism that might be better characterized as the latter. Exclusions and exemptions are primarily associated with sales tax.
- **Deduction** - a reduction of the tax base subject to tax, which reduces a taxpayer's liability.

7 Tax Foundation: State and Local Tax Burdens, Calendar Year 2022
8 *See footnote 4.*
9 Tax Foundation: Ranking Individual Income Taxes on the 2024 State Business Tax Climate Index
10 *See footnote 9.*
11 Tax Foundation, State and Local Sales Tax Rates, 2024
12 *See footnote 11.*

- **Tax credit** - reduces the tax bill directly, dollar for dollar, as opposed to reducing the tax base. The taxpayer subtracts the credit amount from the tax due, and pays only the net tax due. Tax credits can be *non-refundable* or *refundable*. Both *non-refundable* and *refundable* tax credits can be transferable if authorized by law. Some credits may have a limit or cap on the amount that can be granted in a particular timeframe. Tax credits are most predominately used in income and franchise taxes but can be found in the statutes pertaining to other taxes.
    - A *non-refundable* tax credit reduces the income tax liability and, if allowed by the statute authorizing the credit, any remaining amount can be carried forward for use in future tax years. If the amount of credit is greater than the taxes owed, the excess will not generate a refund.
    - A *refundable* tax credit reduces the income tax liability, with any excess credit amount being refunded to the taxpayer.
    - A *transferable* credit can either be used by the taxpayer who earns the credit or can be sold or transferred to a third party for a price that may be below the face value of the credit. It can be refundable or non-refundable.

The remaining exemption types represent a collection of suspensions, special rates, alternate reporting methods, statutorily prescribed methods of taxation, refunds, rebates, prohibitions on taxation, incentives, and discounts.

Throughout this document, the value of exemptions is shown as the estimated amount by which they reduced tax revenues (e.g., the value of an income tax deduction is shown as its impact on net tax revenues, not the gross value of the deduction, whereas the actual dollar value of the tax credits claimed are reported), not accounting for indirect effects. The indirect/induced effects that are associated with exemptions (e.g., new tax revenue associated with jobs attracted in part by an economic development incentive) are not included in this document due to the complexity involved with developing such estimates for hundreds of different exemptions.

Louisiana's Tax Exemption Budget

LDR began publishing the Tax Exemption Budget (TEB) annually in 1983 under Title 37, Section 60. Currently, LDR is required by Section 1517 of Title 47 to prepare the annual TEB report, which quantifies and catalogs all tax exemptions that have been enacted in statute, as well as those provided for by the Constitution of the State of Louisiana and by federal law. The TEB provides general information on each tax exemption: legal citations, brief descriptions of purpose of each exemption, legislative origins, effective dates, beneficiaries, the revenue losses for the preceding two years and current year, and estimated fiscal effects for the two ensuing fiscal years.

When possible, estimates in the TEB of the values of tax exemptions are developed from information reported by taxpayers on Louisiana tax returns, which is the most reliable source for data. In some cases, however, the necessary information is neither reflected on tax returns nor is the data explicitly captured. For some of these tax exemptions, alternative sources were used (e.g. information from specific taxpayers, estimates from Louisiana Legislative Fiscal Office). When no reliable data source is available or the item is considered negligible (under $10,000), there is a notation in the TEB report.

Louisiana's Tax Exemption Budget Compared to Those of Other States

All 50 states and the District of Columbia produce reports that provide policymakers and the public with data on the value of exemptions (tax credits, deductions, and exemptions).[13] However, Louisiana publishes one of the more comprehensive, publicly available reports in the Southern region in terms of frequency and breadth, providing annual reports to the Governor and Legislature on every exemption in statute, and providing fiscal impacts for a five-year period. Many other states publish reports much less frequently (every two to five years). However, with regard to local taxes in Louisiana, there is no comprehensive parish-by-parish report publicly available.

Summary of Tax Exemptions in Louisiana by Type

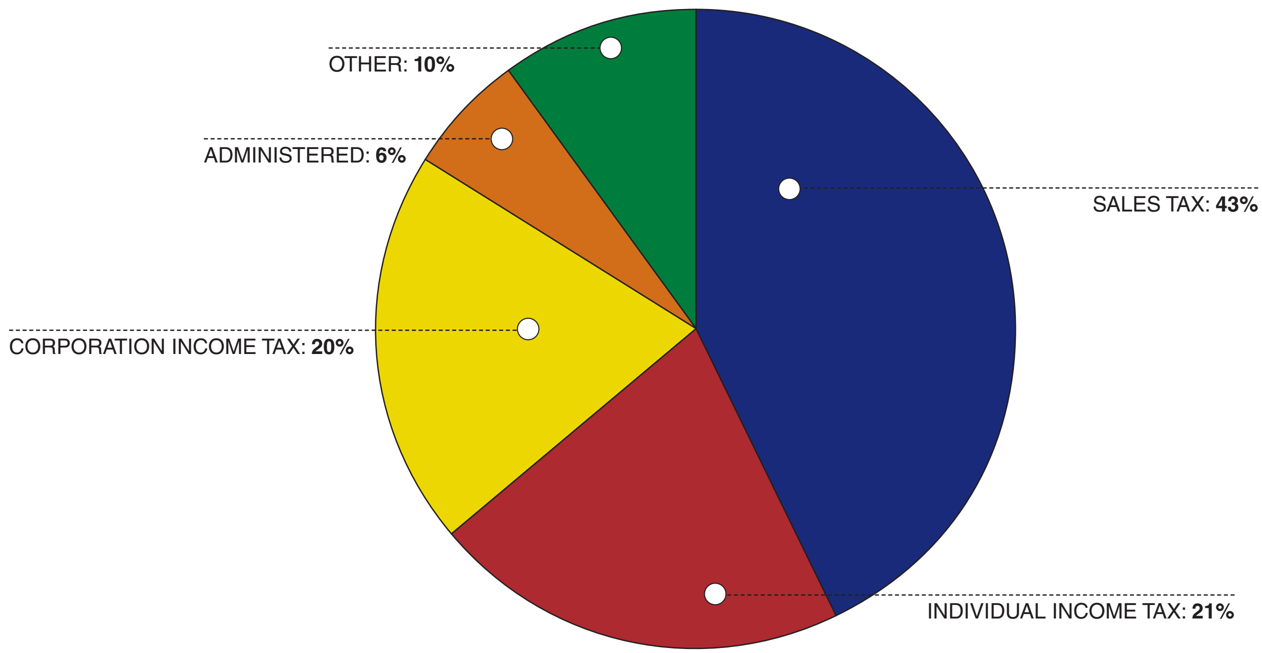
There were a total of **564 exemptions reported** in the 2022-2023 Louisiana TEB report. The total number of exemptions can fluctuate from year to year, as some exemptions expire or are added over time. This total includes all statutory, constitutional, and federal exemptions. Most of the exemptions that can be applied to multiple tax types are counted in each tax type to which they are applied. However, the 28 exemptions in the "Tax Incentives and Exemption Contracts" section of the TEB are only counted once even though many of the items in that section can be applied to multiple tax types.

In FY23, the total value of tax exemptions in Louisiana was approximately $7.4 billion across all tax types. This total includes $5 billion in statutory exemptions and $2.35 billion in state constitutional exemptions, and excludes $117 million in federally mandated exemptions. Of the existing 564 tax exemptions in Louisiana, just 25 exemptions represented 81% percent of the $7.4 billion total in FY23. Appendix A lists the top 25 state tax exemptions in Louisiana for FY23 by value.

13 Institute on Taxation and Economic Policy, *State-by-State Tax Expenditure Reports*, June 15, 2022

The top tax exemption for FY23 by value[14] was the sales of food for preparation and consumption in the home accounting for $584 million of the $7.4 billion total.

TAX EXEMPTIONS TOTALED $7.4BILLON IN FY23



SALES AND USE TAX

Louisiana is one of 45 states that levies a sales and use tax ("sales tax").[15] Louisiana's sales tax is applied to retail sales of tangible personal property, the rental or lease of movable property, and sales of select services. Consumers generally pay sales tax on the price of a good (and select services) at the point of sale. The sales tax is typically collected and remitted by a seller that qualifies as a "dealer" under Louisiana law to the state and local tax collectors. Use tax compliments the sales tax and generally applies when tangible personal property is brought into the state for use, consumption, or storage in this state.

Louisiana law authorizes sales tax at two levels: the state level and the local government level. Local sales taxes are collected in 38 states.[16] Louisiana political subdivisions have the authority, per the Louisiana Constitution, to levy and collect their own sales and use taxes. While political subdivisions have the authority to levy sales tax, the rates can vary, but are limited by the Constitution to a rate not to exceed 3%. An increase beyond 3% requires legislative approval and a vote of the people. In Louisiana, there are deviations between the state taxable base and the local taxable bases. Each political subdivision has some authority to determine its taxable base. Standard definitions pertaining to sales tax on the state and local level are found in R.S. 47:301.[17] Deviations by political subdivisions from the state tax base must be approved by the Legislature. When filing a tax return, a business that operates in a number of different parishes must know the rates within the various parishes and local sales tax jurisdictions, as well as understand the deviations between the state and local tax bases, and then properly calculate the tax liability. There are approximately **415 local jurisdictions in Louisiana**.

Tax collection in Louisiana is determined by the type of connection, or nexus, the dealer has with the state or local government. Businesses with a physical presence (e.g., offices, branches, warehouses, employees) have established a physical nexus and are responsible for the collection and remittance of state and local sales tax. In some instances, goods are purchased outside of Louisiana and brought into the state. If the purchased item is used in Louisiana, consumers owe a use tax if sales tax was not paid in the state where the purchase was made. Businesses with a physical presence must collect and remit state sales tax to LDR and local sales tax to the parish collector where the sale occurs. This location may be in the parish where the seller is located, or the parish in which the good was delivered or service provided.

14 The revenue loss reported for the Subchapter S Exclusion was $824 million. However, because this amount represents income excluded from corporation income tax but taxed at the lower marginal rates at the individual income tax level, it does not represent the actual revenue loss to the state.

15 Tax Foundation: State and Local Sales Tax Rates, Midyear 2023.

16 *See footnote 15.*

17 La. R.S. 47:301, La. R.S. 47:337.6(B).

Businesses with no physical presence in Louisiana that have retail sales in excess of $100,000 for delivery into Louisiana during a calendar year have established an economic nexus. These businesses are required to register as remote sellers with the Louisiana Sales and Use Tax Commission for Remote Sellers ("Commission"), and are responsible for collecting and remitting the state and local sales taxes at the rates determined by location of the delivery. Sellers outside of Louisiana that do not meet the $100,000 threshold are not required to collect and remit state or local sales taxes, but may voluntarily do so.

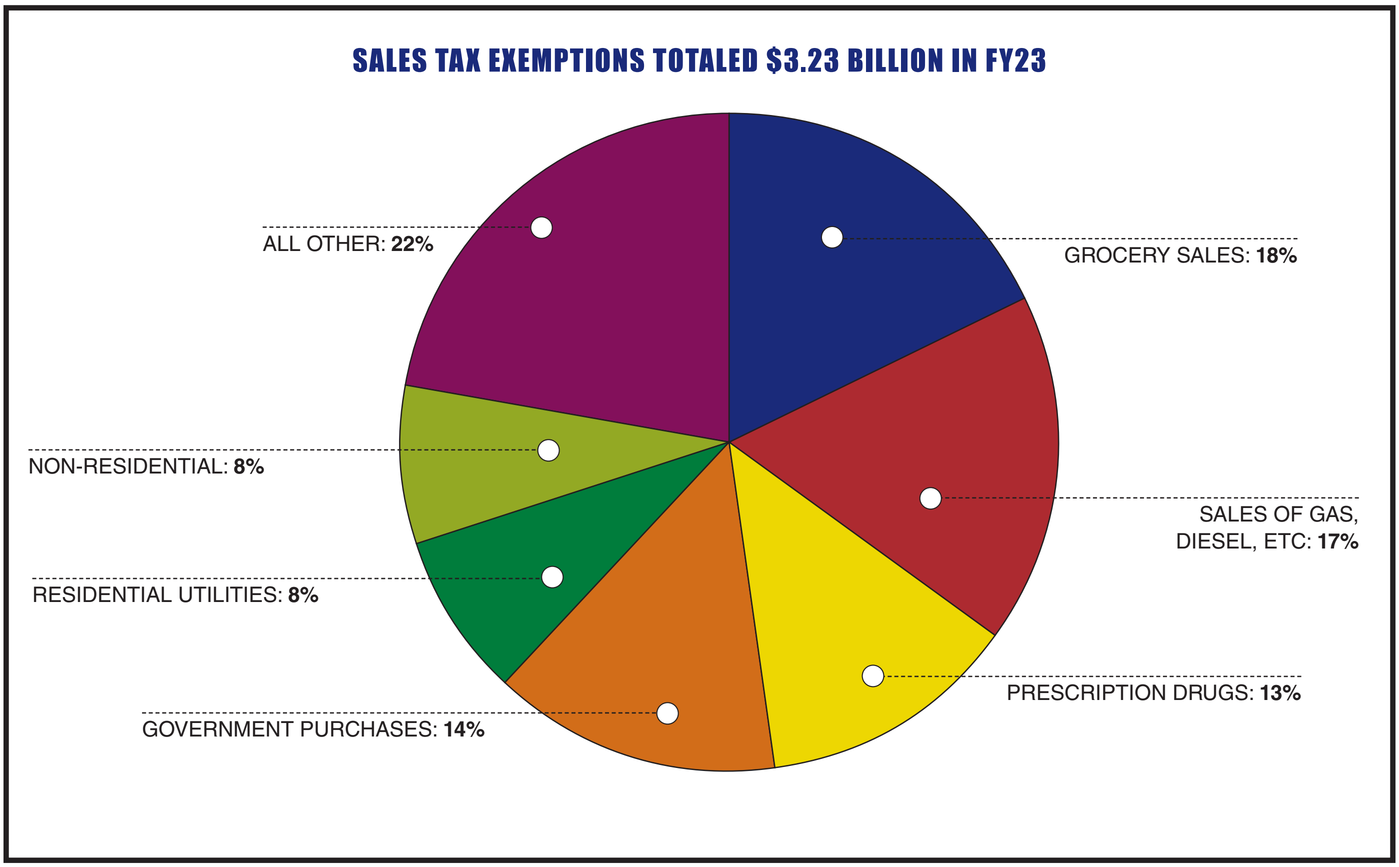
Marketplace facilitators are businesses that facilitate the sale of a third party's products, mostly on-line. For purposes of Louisiana sales tax, marketplace facilitators are also considered remote sellers,[18] and must collect and remit state and local sales tax to the Commission when economic nexus is established.

The Tax Foundation ranks Louisiana's sales tax structure 48th among all U.S. states, with the top spots held by states without a general sales tax. While the state sales tax of 4.45% is relatively low compared to most states, the average local sales tax is 5.10%, resulting in an average combined state and local sales tax rate of 9.563%.[19] **Louisiana has the highest average combined state and local sales tax rate in the country**, just beating out Tennessee at 9.548%.[20]

Businesses with locations in multiple parishes must calculate and remit the state sales tax, as well as the local sales tax in each parish in which the company operates. This unique structure affects Louisiana's business competitiveness rankings.

Sales Tax Exemptions

As of FY23, there were 220 sales tax exemptions in Louisiana that totaled approximately $3.23 billion. Appendix B lists sales tax exemptions in the state of Louisiana for FY23 by value.



Top Sales Tax Exemptions in FY 23

The largest exemptions from state sales tax, ranked by value in FY23, are summarized below.

18 La. R.S. 47:340.1(A)(6) and (7).

19 Tax Foundation: State and Local Sales Tax Rates, 2023

20 *See footnote 13.*

Sales of Food for Preparation and Consumption in the Home

The Louisiana Constitution prohibits state taxation of food sold for preparation and consumption in the home (e.g., groceries).[21] This constitutional amendment was passed on November 5, 2002, with the full exclusion effective July 1, 2003. This prohibition was implemented as part of the Stelly Plan which reduced sales taxes and increased income taxes. Sales of prepared foods by grocery stores, delicatessens, convenience stores, and meat or seafood markets do not qualify for the exclusion and are subject to the state sales tax. The total revenue loss for FY23 was $584 million.

Sales of Gasoline, Gasohol, and Diesel

Effective in 1990, the Louisiana Constitution exempts purchases of gasoline, diesel fuel, and other special fuels that are subject to excise taxes from the state and local sales and use taxes.[22] While Louisiana is one of 40 states that does not include gasoline in its sales tax base, the state levies a separate petroleum products excise tax on gasoline, diesel, and other fuels as do all other states, along with the District of Columbia.[23] Louisiana has one of the lowest overall tax rates on gas.[24] Generally speaking, an excise tax is different from a sales tax in that it is applied on a per unit basis instead of as a percentage of the purchase price. For FY23, this exemption totaled $552 million.

Purchases by State and Local Governments

Enacted in 1991 and amended in 2007, this exclusion allows all boards, agencies, or commissions of the state of Louisiana or any local authority within Louisiana to purchase or rent or lease tangible personal property, or receive services, without being subject to general sales tax. The purchases are excluded from taxation by excluding Louisiana state and local governments from the definition of "person." The purpose of this exclusion is to remove governmental authorities from taxation. All but five states exempt sales to state and local governments.[25] All sales to the federal government are exempt through a U.S. constitutional prohibition. For FY23, this exclusion totaled $444 million.

Drugs Prescribed by Physicians or Dentists

This constitutional exemption prohibits the taxation of drugs prescribed by a physician or dentist and drugs that are dispensed to patients by hospitals under orders of a physician. Drugs as defined in statute include all pharmaceuticals and medical devices, which are prescribed for use in the treatment of any medical disease. Although previously exempt, the constitutional amendment protecting the exemption was effective January 1, 2003, and applies to state sales and use tax only. Local political subdivisions may exempt prescribed drugs and medical devices, but are not subject to the broad constitutional exemption. However, statutory law does mandate exemptions for certain drugs and medical devices. The purpose of the exemption is to provide financial assistance to citizens purchasing prescriptions and medical devices. Many states that impose a sales tax exempt prescription drugs from its tax base or levy a reduced sales tax rate on prescription drug purchases. For FY23, this exemption totaled $406 million.

Sales of Electric Power or Energy- Nonresidential

Enacted in 1948, this exemption allows the tax-free sale of electric power or energy and any materials or energy sources used to fuel the generation of electric power for resale. It also exempts electric power or energy used by an industrial manufacturing plant for self-consumption or cogeneration. This exemption benefits non-residential users of electrical utility services. From April 1 to June 30 of 2016, this exemption was completely suspended, subjecting these sales to the full tax rate of 5%. From July 1, 2016 until June 30, 2018, these sales were taxed at the reduced rate of 4%. From July 1, 2018 until June 30, 2025, non-residential sales of electric power or energy are subject to a 2% state sales tax rate and are scheduled to become fully exempt again beginning July 1, 2025. For FY23, this exemption totaled $259 million.

Sales of Electric Power or Energy to the Consumer for Residential Use

This exemption prohibits the taxation of natural gas, electricity, and water sold directly to the consumer for residential use. It was first enacted in 1948. A constitutional amendment was approved by voters on November 5, 2002, giving this exemption constitutional protection beginning July 1, 2003. The purpose of the exemption is to benefit residential consumers of electrical utility services. For FY23, this exclusion totaled $251 million.

INDIVIDUAL INCOME TAX

Louisiana is one of 43 states that levies an individual income tax (IIT).[26] The tax is assessed on a resident individual's income derived from all sources and a nonresident individual's income derived from Louisiana sources. Like the majority of other states that impose an individual income tax, Louisiana closely follows the federal system, utilizing the federal definitions of income and deductions. Louisiana taxable income is defined as federal adjusted gross income, less certain deductions (e.g., interest & dividends on U.S. government obligations). The Louisiana Constitution prohibits the levy of municipal- and parish-level income taxes.

21 La. Const. art. VII, § 2.2.
22 La. Const. art 7 sec. 27
23 Motor Fuel Taxes | Urban Institute
24 Tax Foundation: How High are Gas Taxes in Your State, 2023
25 Sales Tax Institute: Which Organizations Are Exempt from Sales Tax?
26 Tax Foundation: State Business Tax Climate 2024, October 2023

The Tax Foundation ranks Louisiana's individual income tax structure 29th compared to other states, with its highest rankings reserved for states that do not impose an income tax or that have a flat, low tax rate with few deductions and exemptions.[27] In Louisiana, the individual income tax system consists of three separate rate brackets (1.85, 3.5, and 4.25 percent). The top rate begins at an income level of $50,000 (single, head of household, or married filing separately) and $100,000 (married filing joint, and qualifying surviving spouse). Louisiana's top rate ranks 7th lowest nationally.[28] The Tax Foundation's methodology places a great deal of weight on a state's top marginal rate and does not consider the effect of exemptions in reducing the effective rate.

Although the state's top marginal rate is 4.25%, Louisiana taxpayers actually pay closer to an average effective rate of 3.15%. This is due in large part to various exemptions that have the effect of lowering the tax burden for families, small businesses, and retirees. Prior to the 2021 tax changes the average effective rate was 3.8%. Tax reform provided lower tax rates while increasing the tax base by eliminating the federal income tax deduction and limiting the excess itemized deductions. The overall effect of these changes was revenue neutral even though some taxpayers experienced an increase in tax liability and some experienced a decreased.

The Importance of the Individual Income Tax for Business

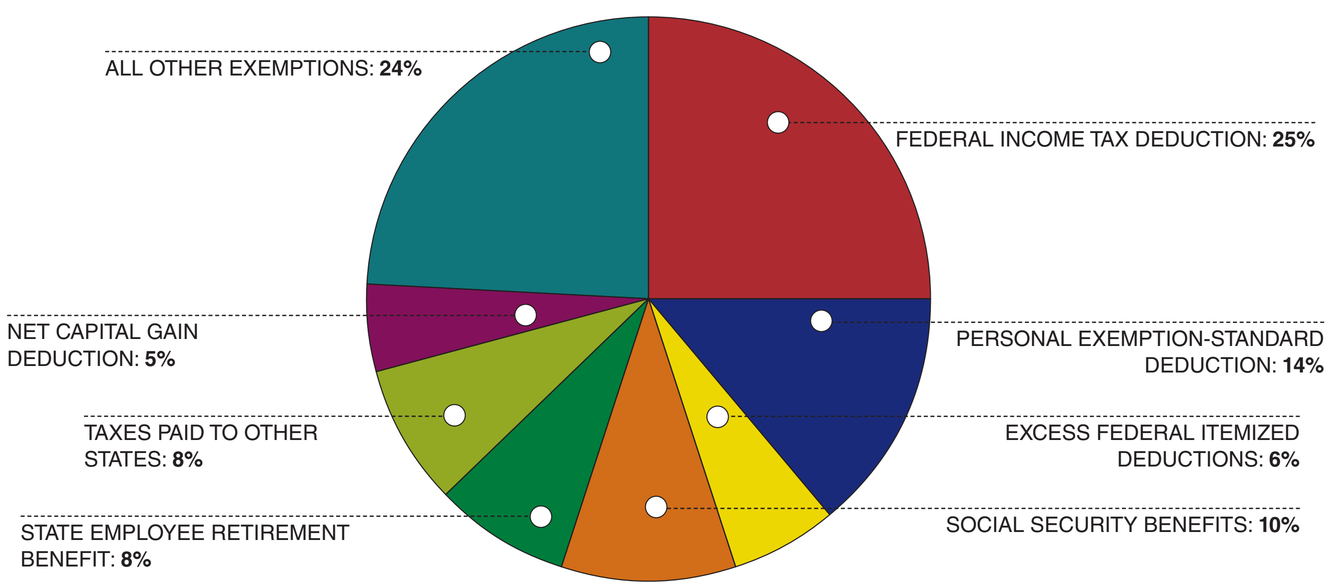
The individual income tax is important to Louisiana's business climate because many unincorporated businesses, including sole proprietorships, partnerships, and some limited liability companies (LLC), report their income through the individual income tax return. In the case of an LLC, this business type is treated and taxed in the same manner for Louisiana income tax purposes as it is for federal income tax purposes. If the LLC is considered a partnership for federal income tax purposes, which is the more common situation, the LLC is treated as a partnership for Louisiana income tax purposes, and the income is reported on the individual income tax return. A portion of the income of corporations classified as S corporations under Subchapter S of the Internal Revenue Code ("S corporation") is reported through the individual income tax return as well.

Louisiana, like many other states, authorizes a pass-through entity tax election which allows S Corporations or entities taxed as a partnerships for federal income tax purposes to elect to pay income tax at the entity level. This election serves as a work-around to the federal limitation placed on the amount of state and local taxes that can be deducted for individuals.

Individual Income Tax Exemptions

There are **95 individual income tax exemptions in Louisiana,** excluding LED managed exemptions. In FY23 individual income tax exemptions totaled $1.6 billion. Appendix C lists all individual income tax exemptions in the State of Louisiana for FY23 by value.

INDIVIDUAL INCOME TAX EXEMPTIONS TOTALED $1.6 BILLION IN FY23



27 *See footnote 27.*

28 *See footnote 27.*

Top Individual Income Tax Exemptions in FY23

The largest exemptions from individual income tax, ranked by value in FY23, are summarized below.

Federal Income Tax Deduction

Enacted in 1974 and protected from taxation by the Constitution until 2022, Louisiana's federal income tax deduction was designed to avoid double taxation by not taxing the portion of the taxpayer's income that represents federal income taxes paid. Of the 44 states that levy an individual income tax, including the District of Columbia, only three (Alabama, Missouri, and Oregon) allow a deduction from income for federal income taxes paid.[29] Louisiana's federal income tax deduction was repealed as part of the 2021 tax changes and applies to taxable periods beginning on or after January 1, 2022. However, because the TEB reflects losses realized in the reporting period regardless of the tax period reported, continued but decreasing losses are likely to be reported for a few years.

For FY23, this exemption totaled nearly $399 million for IIT (down from $892 million in FY22). The *Federal Income Tax Deduction* can also be claimed under corporation income tax ($139 million) and fiduciary income tax ($21.5 million). This resulted in an overall total revenue loss of $559.5 million in FY23. The anticipated revenue loss for FY25 is $5 million.

Personal Exemption/Standard Deduction

Enacted in 1934, this provision allows taxpayers to exempt a standard portion of income from state income tax. All states with an individual income tax, with the exception of Pennsylvania, allow some form of personal exemption or standard deduction.[30] For FY23, this exemption totaled $220 million.

Excess Federal Itemized Deduction

As originally enacted in 1980, taxpayers who itemize their federal deductions were allowed to deduct 100% of the portion of federal itemized deductions that are in excess of the federal standard deduction. However, for taxable periods beginning on or after January 1, 2022, taxpayers may only deduct 100% of the federal itemized deductions for medical expenses that are in excess of the federal standard deduction. For FY23, this exemption totaled $96 million.

Social Security Benefits Exclusion

Louisiana is one of 29 states with income taxes that provide a full exclusion for Social Security benefits. [31] Enacted in 1984, this provision allows Social Security beneficiaries to fully exclude their Social Security income from state taxable income, in order to reduce their tax burden. For FY23, this exemption totaled $159 million.

State Employees, Teachers and Other Retirement Benefits Exclusion

First enacted in 1946 and amended in subsequent years, this exemption allows individuals receiving benefits from certain state, statewide, and local government retirement systems to exclude 100% of those benefits from Louisiana taxable income. In total, the benefits from 49 public retirement systems across the state are excluded from taxable income. For FY23, this exemption totaled $122 million.

Net Income Taxes Paid to Other States

Forty-three states, including Louisiana, allow a credit for income tax paid to other states.[32] New Hampshire does not allow a credit and the remaining six states do not impose an income tax.[33] Enacted in 1946 and last amended in 2023, this provision allows Louisiana taxpayers a credit for income taxes paid to other states. For example, if a resident lives in Louisiana but works in Mississippi, the resident will pay Mississippi income tax on her earnings. Those earnings are also included in the resident's Louisiana taxable income, but she will receive credit for the taxes paid to Mississippi. This avoids double-taxation on those earnings.

The credit is equal to the amount of Louisiana income tax that would have been imposed if the out-of-state income had been earned in Louisiana. If the other state allows nonresidents a credit against the income taxes imposed by that state for taxes paid or payable to the state of residence, the Louisiana credit is not allowed. The credit is calculated by multiplying a taxpayer's Louisiana income tax by a ratio, the numerator of which is the taxpayer's Louisiana tax table income attributable to other states on which tax has been paid, and the nominator of which is the taxpayer's total Louisiana tax table. For FY23, this exemption totaled $130 million.

Earned Income Tax Credit

Enacted in 2007 and last amended in 2021, this exemption allows a refundable credit for residents who are eligible for the federal earned income tax credit. The credit is provided for working residents with low- to moderate-incomes. It is equal to 5% of the federal earned

29 Institute on Taxation and Economic Policy, Which States Allow Deductions for Federal Income Taxes Paid?

30 Tax Foundation: State Business Tax Climate Index, 2022

31 Tax Foundation: How Does Your State Treat Social Security Income, 5/26/21

32 Tax Foundation, State Business Tax Climate Index 2024.

33 *See footnote 33.* The six states where the credit for taxes paid to another state is non-applicable are Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

income tax credit taken on a resident's federal income tax return. Twenty-eight states, including Louisiana, and the District of Columbia have earned income tax credits[34]. All states except Minnesota set their credits based on the federal credit. Like the federal government, states require workers to file a tax return, and in 24 of the states, including Louisiana, credits are fully refundable if they are greater than the taxes owed[35]. For FY23, this exemption totaled $66 million.

Rehabilitation of Historic Structures

Enacted in 2002 and last amended in 2023, this exemption allows a non-refundable credit for the eligible costs and expenses incurred for the rehabilitation of a historic structure located in a downtown development, cultural district, or contributing to the National Register of Historic Places. The historic structure must be nonresidential real property or residential rental property. Thirty-nine states, including Louisiana, have a tax credit for the rehabilitation of historical structures[36]. The credit is equal to 25% of eligible costs and expenses incurred on or after January 1, 2023. If the qualifying structure is located in a rural area, the credit is 35% for expenses incurred on or after January 1, 2023. For expenses incurred between January 1, 2018 and December 31, 2022, the credit is 20%.

The credit is limited to an annual cap of $5 million per taxpayer for any number of structures located in a particular district and an annual aggregate cap of $125 million per calendar year. The credit is non-refundable and any unused portion can be carried forward for up to five years. Additionally, credits can be transferred or sold. This exemption sunsets December 31, 2028. For FY23, this exemption totaled $53.8 million for individual income tax. The credit can also be claimed against corporation income tax ($27.1 million), corporation franchise tax ($4.3 million), and fiduciary income tax ($1 million). The collective total for this exemption across all tax types was $86.2 million in FY23.

Net Capital Gains Deduction

First enacted in 2009, this exemption authorizes a deduction for net capital gains, limited to gains recognized and treated for federal income tax purposes as arising from the sale or exchange of an equity interest in or substantially all of the assets of a non-publicly traded corporation, partnership, limited liability company, or other business organization commercially domiciled in this state. Beginning in 2016, to qualify for the deduction, the business must have been held by the individual claiming the deduction for a minimum of five years immediately prior to the sale or exchange and the business must have been commercially domiciled in Louisiana for at least five years prior to the sale or exchange. The amount of the deduction is based on the number of years the business was commercially domiciled in Louisiana beginning with 50% for businesses domiciled in Louisiana five to 10 years and gradually increasing to 100% for businesses domiciled in Louisiana for 30 or more years. For FY23, **this exemption totaled $87 million, double the amount from FY21.**

CORPORATION INCOME AND FRANCHISE TAX

Louisiana is one of 15 states with both a corporation income and franchise tax ("CIFT").[37] Three states allow a company to pay the higher of the income or franchise tax, rather than paying both.[38]

LLC Treatment

An LLC is treated and taxed in the same manner for Louisiana income and franchise tax purposes as it is for federal income tax purposes. If the LLC is taxed as a corporation for federal income tax purposes, the LLC will be taxed as a corporation for Louisiana income and franchise tax purposes. However, an LLC that has made or can make the federal election to be an S corporation is not subject to franchise tax.

Corporation Income Tax

Louisiana is one of 44 states with a corporation income tax.[39] As in most other states, Louisiana utilizes the federal definition of income and deductions, with certain modifications. Nationally, revenue from state corporation income taxes has by far been the most volatile of tax sources over the last decade, largely because corporate incomes are highly dependent on the health of the economy. Not only are corporate profits subject to the corporation income tax, but investment earnings (dividends) paid to individuals are then taxed again under the individual income tax.

The Tax Foundation ranks Louisiana's corporate income tax structure 34th among all U.S. states, with the highest rankings reserved for states that do not impose a corporate income tax.[40] Louisiana's corporate tax structure consists of three rate brackets (3.5%, 5.5%, and 7.5 %) with the top rate beginning at a corporate income level of $150,000. Louisiana is one of 15 states with multiple corporate tax

34 State and Local Governments with Earned Income Tax Credit, www.irs.gov

35 *See footnote 35.*

36 National Trust for Historic Preservation, State Historic Tax Credits

37 Tax Foundation: State Corporate Income Tax Rates and Brackets, 2024; Tax Foundation: Does your state levy a capital stock tax? (2023)

38 Tax Foundation: State Business Tax Climate Index, 2024; October 2023

39 *See footnote 39.*

40 *See footnote 28.*

brackets,[41] a structure that can create changes in behavior when the taxpayer's income reaches the end of one tax rate bracket and moves into a higher bracket. The average number of brackets in these states is four, while Louisiana has three. Businesses frequently look at the top marginal rate as an indication of a state's business tax burden and may overlook unusual features that actually lower the effective tax rate. Similar to the individual income tax, the effective corporate rate paid by taxpayers is lower than 7.5% (6.61% effective rate for 2022) due to exemptions and deductions. Although Louisiana's top rate is the 15th highest in the nation, only four percent of all corporate filers pay at the top rate and 80% of all corporate filers in Louisiana report a negative or zero tax liability.

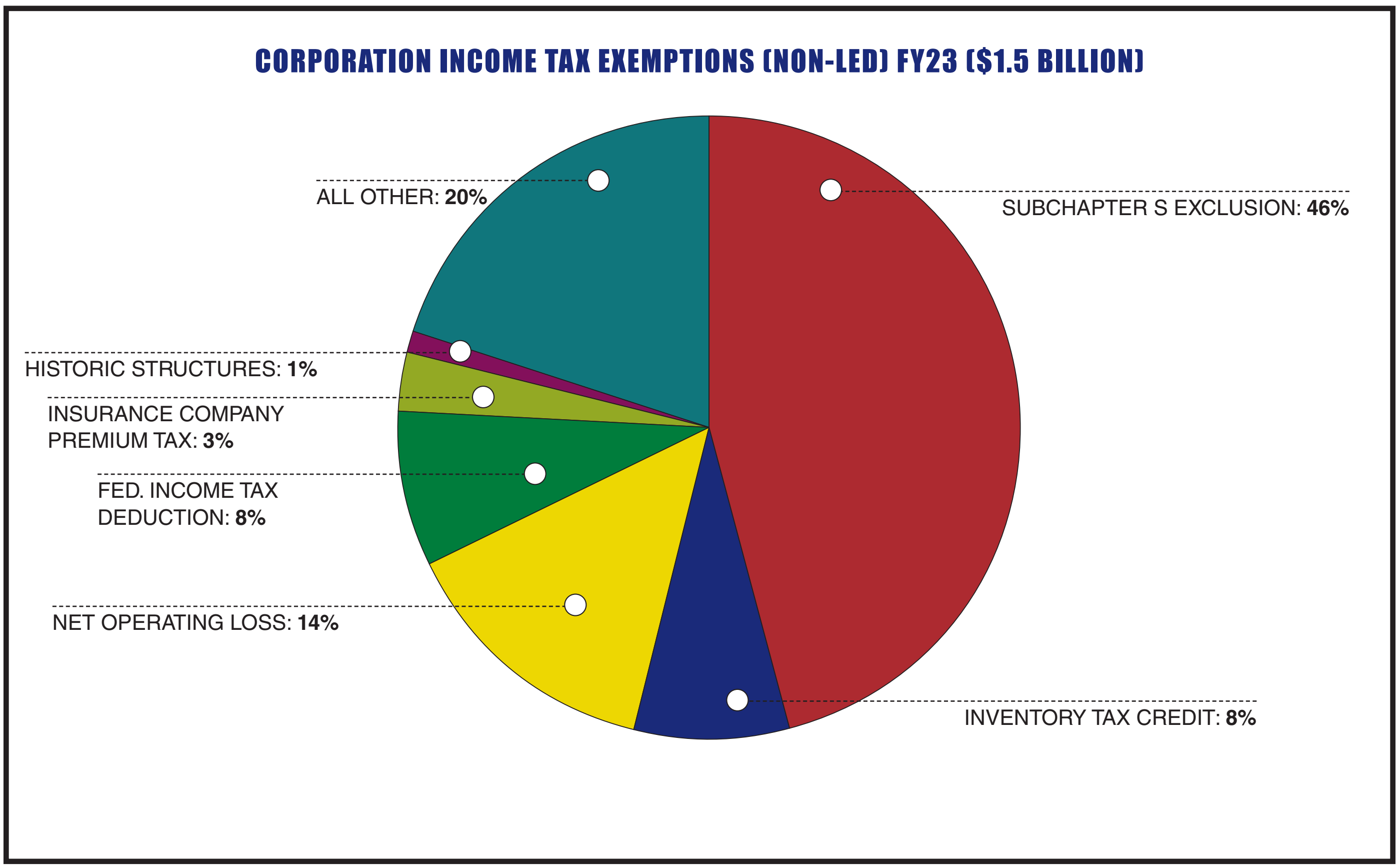
Apportionment

States use apportionment systems designed to determine how much of a company's income a state can properly tax. Generally, states require a company with "nexus," to apportion its income to the state based on some ratio of the company's in-state property, payroll, and sales compared to its total property, payroll and sales. Nexus means the company has sufficient connection to the state to justify the state's power to tax its income

Among the states with a corporation income tax, there is little coherence in apportionment formulas. Some states weight the three factors—property, payroll, and sales—equally, while others weight the sales factor more heavily; most states now utilize apportionment based exclusively on sales. For businesses with in-state activity only, there is no effective difference between single-sales and multi-factor apportionment. In the case of single-sales factor apportionment, corporations determine their state income taxes based only on the ratio of in-state sales to sales everywhere. This approach provides favorable tax conditions for businesses that export their products and services outside the state and, in contrast to multi-factor apportionment formulas, avoids a tax penalty for exporters that locate their operations (e.g., payroll, property) within the state. For multi-state corporations, Louisiana net income is generally determined through formula apportionment. Under the formula apportionment method, total net income is typically apportioned to Louisiana based on the single-sales factor. However, other factor calculations are authorized for specific industries, such as oil and gas, transportation, and service enterprises.

Corporation Income Tax Exemptions

There are **62 exemptions for corporation income taxes** ("CIT") in Louisiana, excluding exemptions managed by LED. In FY23, these non-LED managed CIT exemptions totaled approximately $1.5 billion. Appendix D lists all corporate income tax exemptions in the state of Louisiana for FY23 by value.



41 Tax Foundation, State Corporate Income Tax Rates and Brackets, 2024

TOP CORPORATE INCOME TAX EXEMPTIONS IN FY23

The largest exemptions from corporate income tax, ranked by value in FY23, are summarized below.

Subchapter S Corporation Exclusion

Louisiana is one of five states that does not recognize the existence of corporations classified as S corporations under Subchapter S of the Internal Revenue Code (IRC). At the federal level, unlike C corporations, the IRS allows an S corporation to "pass through" its income to its shareholders, and the profits of these entities are taxed under the individual income tax code. In Louisiana, S corporations are taxed in the same manner as C corporations, with one exception. In an effort to avoid double taxation, in 1989, Louisiana enacted the Subchapter S Corporation Exclusion, which allows corporations classified as S corporations to exclude a percentage of their Louisiana net income to arrive at taxable income. This exemption was last amended in 2019. The excludable percentage is determined by the ratio of the number of issued and outstanding shares of the S corporation's capital stock owned by individuals, trusts and estates that report their share of the corporation's income on their Louisiana returns to total number of issued and outstanding shares of capital stock on the last day of the corporation's tax year. The exemption amount listed in the TEB is the gross amount calculated on the corporation income tax return and does not account for the amount of individual income tax paid by the individual on his share of the corporation's income. For FY23, this exemption totaled $824 million.

Net Louisiana Operating Loss

Net operating loss (NOL) is a mechanism that recognizes that a yearly profit snapshot may not fully capture a corporation's true profitability. NOL preserves the purpose of the corporate income tax, which is to tax the profits, not the losses, of a corporation. Enacted in 1979, and last amended in 2021, the NOL deduction helps level the playing field among cyclical and non-cyclical industries and helps to ensure that the corporation income tax is a tax on average profitability. The federal NOL deduction currently prohibits carry-backs and allows an indefinite carry-forward period until fully utilized, and Louisiana also allows corporations to carry an NOL deduction forward indefinitely until fully utilized. All states with a corporate income tax allow some degree of carry-forward and carry-back, although the number of years for which the NOL can apply, and the amount of the period, if any, varies from state to state.[42] For Louisiana, the NOL deduction is equal to 72% of the available net operating loss, limited to 72% of net income. For FY23, this exemption totaled $256 million.

Inventory Tax Credit

Enacted in 1991 and last amended in 2020, the inventory tax credit is an income and franchise tax credit that benefits manufacturers, distributors, and retailers that pay ad valorem taxes to political subdivisions on inventory. The "inventory tax" is a local property tax on inventory that is classified as an ad valorem tax, which is a tax levy that is apportioned among taxpayers according to the value of each taxpayer's property. **Fourteen states, including Louisiana, levy some form of inventory tax**,[43] the existence of which can create incentives for companies to locate inventory in states where they can avoid these taxes. Although businesses are allowed a tax credit from the state for the full amount of inventory taxes paid to local governments, Louisiana is still negatively affected in some business climate rankings due to the presence of the inventory tax.[44]

The inventory tax is levied by and paid to local parish entities. Business owners pay local entities directly, and then claim 100% of the tax paid on their state return as a credit. The credit is then applied to a company's state tax liability. For some qualifying taxpayers, if the inventory taxes paid to the local authorities exceed the company's state income and franchise tax liabilities, the company receives the balance as a refund from the state. For other taxpayers there are limitations on the amount of credit that can be refunded. Affiliated companies are treated as a single taxpayer for purposes of these limitations. If the total amount eligible for the credit exceeds $500,000, only 75% of the credit amount in excess of the taxpayer's liability is refundable and the remaining 25% may be carried forward. For entities formed or registered in Louisiana after April 1, 2016, if the amount eligible for credit exceeds $10,000 but is less than $1 million, 75% of the excess credit is refundable and the remaining 25% may be carried forward for up to 10 years. If the credit exceeds $1 million, 75% of the first $1 million is refundable and the remaining credit can be carried forward. The credit is non-refundable for taxes paid on inventory by any manufacturer who claimed the property tax exemption under the Industrial Tax Exemption Program ("ITEP").

As local inventory tax revenue increases, state revenue decreases, as a direct result of the credit. For FY23, this exemption totaled $146 million for CIT. *The Inventory Tax Credit* can also be claimed under corporate franchise tax ($107 million), individual income tax ($28.9 million), and fiduciary income tax ($2.2 million). The collective total for this exemption across all tax types was $284.1 million in FY23.

Federal Income Tax Deduction

Enacted in 1974 and repealed beginning with the 2022 tax year, Louisiana's corporate federal income tax deduction was designed to avoid double taxation by not taxing the portion of the taxpayer's income that represents federal income taxes paid. Only two states allow a full

42 Tax Foundation, [State Business Tax Climate Index](), 2024; October 2023

43 *See footnote 35*

44 *See footnote 35*

deduction for federal corporate income tax paid[45]. In FY23, this exemption totaled $138 million for CIT. As noted above, the *Federal Income Tax Deduction* can also be claimed under individual income tax and fiduciary income tax. This resulted in an overall total revenue loss of $559.5 million in FY23.

Insurance Company Premium Tax Credit

Enacted in 1934, the insurance company premium tax credit, administered by LDR (which is different than the investment tax credit applied to premium taxes paid by insurance companies to the Department of Insurance), allows a 100% offset for premium taxes paid by all insurance companies to the Department of Insurance. The premium tax credit is applied to the insurance companies' Louisiana corporate income tax, reducing their corporate tax liability. This is a non-refundable credit, so the amount of the tax credit that can be claimed is limited to a company's corporate tax liability. Any unused amounts cannot be claimed as a refund or carried-forward. All states, including Louisiana, tax or charge a fee either as a percentage or at a flat rate on premiums collected.[46] For FY23, this exemption totaled $53.7 million.

Corporation Franchise Tax

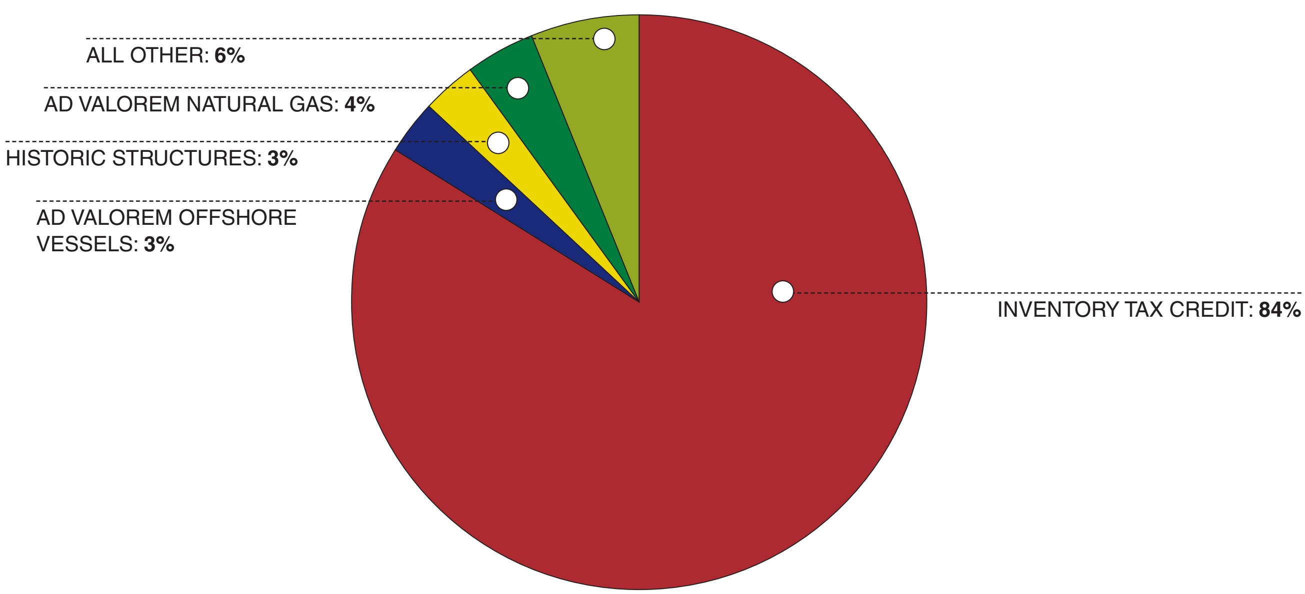
The Louisiana corporation franchise tax (CFT) was enacted in 1932, and has been amended many times. **Fifteen states levy a corporation franchise tax**.[47] In Louisiana, the franchise tax is in addition to corporation income tax. However, both are reported together on the same tax return. Corporation franchise tax, sometimes called capital stock tax, is levied on the larger of the assessed value of all real and personal property in the state or the amount of issued and outstanding capital stock, surplus, and undivided profits attributable to Louisiana. In most cases, the amount of issued and outstanding capital stock, surplus, and undivided profits is the higher of the two and is consequently, the amount taxed. This tax is paid by both domestic and foreign corporations, as well as limited liability companies (LLC) taxed as a corporation for federal income tax purposes. However, some specific types of corporations and LLCs are completely exempt from the franchise tax. Unlike the corporation income tax, which taxes profits, CFT taxes amounts invested in the business and accumulated profits that have not been distributed (dividends). In general, as a business grows in net assets (assets minus liabilities), the CFT increases; and vice versa. As of January 1, 2023, the franchise tax is assessed on the taxable base at the rate of $2.75 per $1,000 over $300,000. The tax is only levied on owned capital. Seven states - Alabama, Connecticut, Delaware, Georgia, Illinois, Nebraska, and New York - place a cap on the maximum CFT payment. And, three states allow corporations to pay the higher of their franchise tax or corporation income tax. Louisiana does not provide any limitations.

There is either no reporting requirement or no available data on which to calculate the fiscal effect for several of the CFT exemptions. As a result, LDR is unable to determine estimated fiscal impacts of those exemptions.

Corporate Franchise Tax Exemptions

There are **38 exemptions applicable to CFT in Louisiana**, excluding exemptions managed by LED. In FY23, CFT exemptions totaled approximately $127.7 million. Appendix E lists all CFT exemptions in the State of Louisiana for FY23 by value.

CORPORATION FRANCHISE TAX EXEMPTIONS TOTALED $127.7 MILLION IN FY23



45 Federation of Tax Administrators: Range of Corporate Income Tax Rates, January 2012.
46 Insurance Information Institute, Inc., A Firm Foundation: How Insurance Supports the Economy
47 Tax Foundation: State Business Tax Climate Index, 2024

TOP CORPORATE FRANCHISE TAX EXEMPTIONS IN FY23

The largest exemptions from corporate income tax, ranked by value in FY23 are summarized below.

Inventory Tax Credit

The inventory tax credit is discussed in detail in the Corporation Income Tax section above. For FY23, this exemption totaled $107 million for CFT, representing 84% of the total value of CFT exemptions. The *Inventory Tax Credit* can also be claimed under corporation income tax ($146 million), individual income tax ($28.9 million), and fiduciary income tax ($2.2 million). Of the top one hundred corporations based on CFT liability (before application of credits for the 2023 franchise tax year), 42 of those corporations reported zero corporation income tax liability and of those 42, $8.5 million of the credit was applied against franchise tax liability. The collective total for this exemption across all tax types was $284.1 million in FY23.

Ad Valorem Tax on Offshore Vessels

Enacted in 1994, the credit for ad valorem tax on offshore vessels is a credit that benefits all corporations and unincorporated businesses that pay ad valorem taxes on vessels operating in Outer Continental Shelf Lands Act Waters. The ad valorem tax on offshore vessels is levied by and paid to local parish entities. Business owners pay local entities directly, and then claim 100% of the tax paid on their state return as a credit. The credit is then applied against the taxpayer's state tax liability.

If the inventory taxes paid to the local authorities exceed the business's state income and franchise tax liabilities, the company receives the balance as a refund from the state. Corporations that are in a federal consolidated group can spread the credit across its consolidated group to offset the tax of the consolidated group. Thus, as local inventory tax revenue increases, state revenue decreases, as a direct result of the credit. For FY23, this exemption totaled $4.02 million for CFT. This credit can also be claimed against corporation income tax ($4.5 million), individual income tax ($2 million), and fiduciary income tax ($10,000). The aggregate total for this exemption across all tax types was $10.5 million in FY23.

Ad Valorem Tax Paid by Certain Telephone Companies

Enacted in 2000, the credit for ad valorem tax paid by certain telephone companies is for 40% of the ad valorem tax paid by telephone companies on their public service properties. The ad valorem tax on public service properties is levied by and paid to local parish entities. The tax is assessed on 25% of the fair market value of the property. Business owners pay local entities directly, and then claim 40% of the tax paid on their state return as a credit. The credit is then applied against the company's state tax liability. If the inventory taxes paid to the local authorities exceed the company's state income and franchise tax liabilities, the company receives the balance as a refund from the state. Corporations that are in a federal consolidated group can spread the credit across its consolidated group to offset the tax of the consolidated group. For FY23, this exemption totaled $1.5 million for CFT. The credit can also be claimed against corporation income tax ($8.8 million), individual income tax ($0), and fiduciary income tax ($0). The combined total for this exemption across all tax types was $10.3 million in FY23.

Rehabilitation of Historic Structures

Enacted in 2002 and last amended in 2023, this exemption allows a non-refundable credit for the eligible costs and expenses incurred for the rehabilitation of a historic structure located in a downtown development, cultural district, or contributing to the National Register of Historic Places. The historic structure must be nonresidential real property or residential rental property. Thirty-nine states, including Louisiana, have a tax credit for the rehabilitation of historical structures.[48] The credit is equal to 25% of eligible costs and expenses incurred on or after January 1, 2023. If the qualifying structure is located in a rural area, the credit is 35% for expenses incurred on or after January 1, 2023. For expenses incurred between January 1, 2018 and December 31, 2022, the credit is 20%.

The credit is limited to an annual cap of $5 million per taxpayer for any number of structures located in a particular district and an annual aggregate cap of $125 million per calendar year. This exemption sunsets December 31, 2028. For FY23, this exemption totaled $4.3 million for CFT. The credit can also be claimed under corporation income tax ($27 million), individual income tax ($54 million), and fiduciary income tax ($1 million). The collective total for this exemption across all tax types was $82 million in FY23.

Ad Valorem Tax on Natural Gas

Enacted in 2005, the credit for ad valorem tax on natural gas provides a credit for the ad valorem taxes paid on natural gas held, used, or consumed in providing natural gas storage services or operating natural gas storage facilities.

The ad valorem tax is levied by and paid to local parish entities. Business owners pay local entities directly, and then claim 100% of the tax paid on their state return as a credit. The credit is then applied against a company's state tax liability. For some qualifying taxpayers, if the ad valorem taxes paid to the local authorities exceed the company's state income and franchise tax liabilities, the company receives the balance as a refund from the state. Thus, as local tax revenue increases, state revenue decreases, as a direct result of the credit. For FY23, this exemption totaled $4.4 million for CFT. The credit can also be claimed against corporation income tax ($2.2 million), individual income tax ($0), and fiduciary income tax ($0). The collective total for this exemption across all tax types was $6.6 million in FY23.

48 National Trust for Historic Preservation;

Severance Tax

Severance tax is levied upon all natural resources severed from the soil or water, including all forms of timber, pulp woods, turpentine, and other forest products; minerals such as oil, gas, natural gasoline, distillate, condensate, casing head gasoline, sulphur, salt, coal, lignite, and ores; materials such as marble, stone, gravel, sand, shells, and other natural deposits; and the salt content in brine. It is paid by the natural resource owners. Because **oil and gas collections account for 95% of all severance tax collections** and there is only one minor exemption that affects the other natural resources subject to severance tax, this summary focuses on oil and gas taxes.

The oil severance tax rate is calculated as a percentage of the value severed, as well as the type of oil severed. The capable tax rate for oil and condensate is 12.5% of value and accounts for over 95% of the oil and condensate tax collections. There is also an incapable rate and a stripper rate for low-producing oil wells. The gas severance tax rate is calculated on the quantity of gas severed, as well as the type of gas severed. The capable rate for gas is responsible for over 98% of total gas tax collections. Presently, the capable rate for gas is 25.1¢ per one thousand cubic feet (MCF) (rate valid from July 1, 2023 through June 30, 2024). Previously the capable rate for gas was 17.7¢ per MCF (rate valid from July 1, 2022 through June 30, 2023). The reduced tax rates for oil and gas are as follows:

Oil severance tax

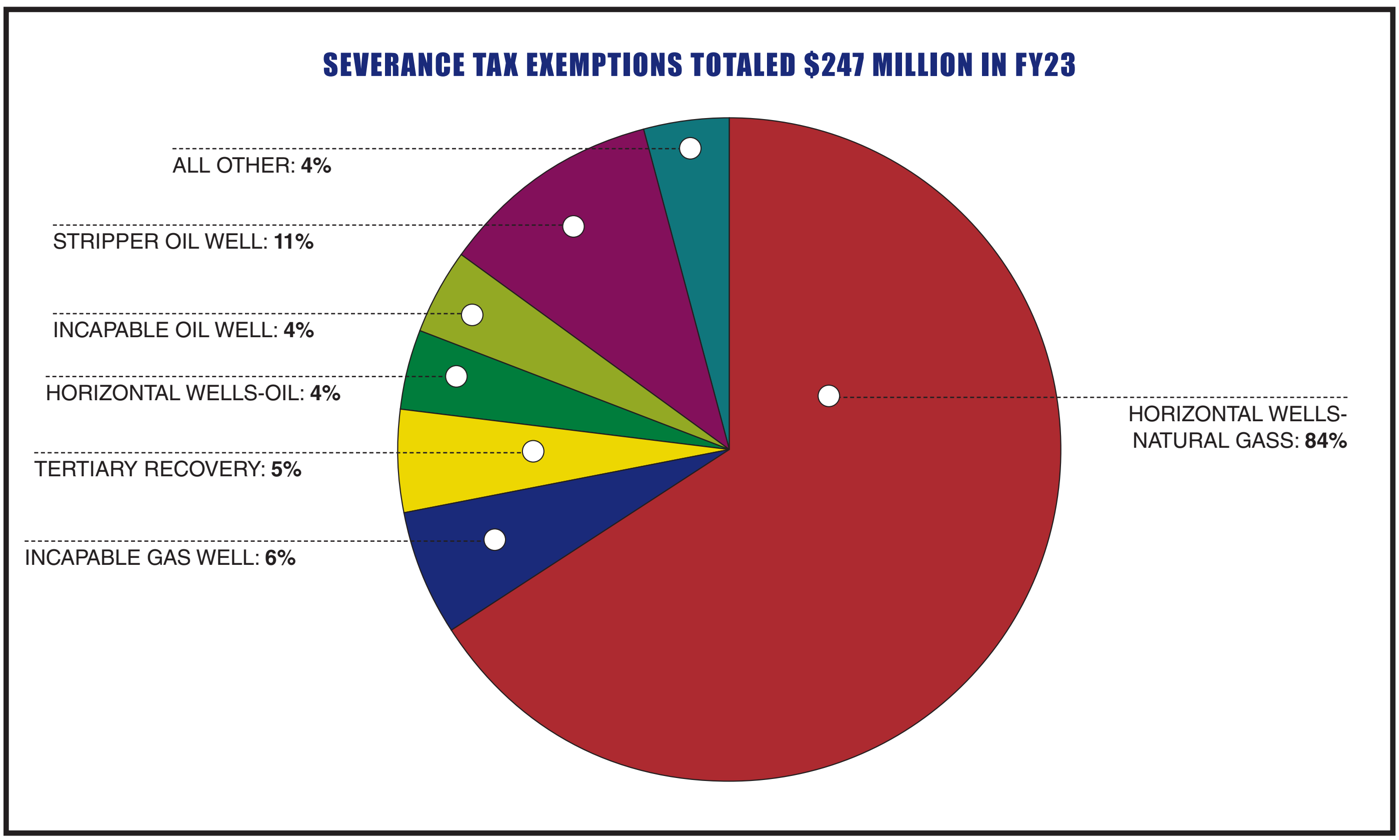
Incapable tax rate .... 6.25% of value
Stripper tax rate .... 3.125% of value
Inactive reduced tax rate .... 6.25% of value
Orphan reduced tax rate ..... 3.125% of value
Horizontal Well tax rate .... 5.0% of value

Gas severance tax

Low pressure oil-well gas tax rate 3¢ per MCF
Incapable gas-well gas tax rate 1.3¢ per MCF
Inactive reduced tax rate ...... 8.85¢ per MCF
Orphan reduced tax rate .... 4.425¢ per MCF
Horizontal Well tax rate ...... 3.54¢ per MCF

Severance Tax Exemptions

There are 29 severance tax exemptions in Louisiana, and all but one relate to oil and gas. In FY23, severance tax exemptions totaled $247 million. Appendix F lists all severance tax exemptions in the state for FY23 by value.



Top Severance Tax Exemptions in FY23
The largest severance tax exemptions in FY23 by value are summarized below.

Horizontal Wells – Natural Gas
Enacted in 1994, this exemption encourages the drilling of horizontal wells for the production of natural gas. Any well drilled or re-completed horizontally is eligible for an exemption from tax for 24 months or until payout of the well is achieved, whichever comes first. Payout of well cost is the cost of completing the well to the start of production. The amount of the exemption is dependent on the average gas price on July 1st of each year for the ensuing 12 month period. As the price of gas rises, the exemption amount is decreased. The exemption amount for FY23 and FY24 is 80%. For FY23, this exemption totaled $163 million.

Horizontal Wells – Oil
Similar to the horizontal well exemption for natural gas, this exemption encourages the drilling of horizontal wells for the production of oil. The exemption was first enacted in 1994. Any well drilled or recompleted horizontally is eligible for an exemption from tax for 24 months or until payout of the well is achieved, whichever occurs first. Payout of well cost is the cost of completing the well to the start of production. The amount of the exemption is dependent on the average oil price on July 1st of each year for the ensuing 12 month exemption period. Higher average prices result in a lower exemption amount. The exemption amount for FY23 and FY24 is 60%. For FY23, this exemption totaled $9.3 million.

Incapable Gas Well
Enacted in 1958, this exemption is to encourage the continued production from low pressure gas wells. Gas produced from a gas well determined to be incapable of producing an average of 250,000 cubic feet of gas per day for the entire month is eligible for a special reduced tax rate of 1.3¢ per MCF. For FY23, this exemption totaled $15.4 million.

Incapable Oil Well
Enacted in 1948, this special rate is to encourage the continued production from low volume oil wells. An oil well incapable of producing an average of more than 25 barrels of oil per producing day, and producing at least 50% salt water, is eligible for a special reduced tax rate of 6.25% of value. To qualify for this exemption, none of the wells on the lease can be capable wells (i.e., subject to the full tax rate). For FY23, the revenue loss from this special rate totaled $10.4 million.

Stripper Oil
Enacted in 1973, similar to incapable wells, this exemption provides a reduced tax rate to encourage the continued production from stripper oil wells. Stripper wells are incapable of producing an average of more than ten barrels of oil per producing day for the entire taxable month. These wells are eligible for a special reduced tax rate of 3.125% of value. For FY23, this exemption totaled $26.8 million.

Tertiary Recovery
Enacted in 1983, this exemption suspends severance tax due on crude oil produced from a qualified tertiary project approved by the Department of Natural Resources until the project has reached payout. The purpose of this suspension is to provide financial assistance to producers undertaking large-scale carbon dioxide injection projects. For FY23, this exemption totaled $13.3 million.

OTHER TAX EXEMPTIONS

The remaining Louisiana tax exemptions (after sales tax, IIT, CIFT, and severance tax) are found in five other tax types. These include taxes on petroleum products (motor fuels), tobacco, liquors/alcoholic beverages, fiduciary income, and miscellaneous taxes (public utilities and carriers, telecommunications, hazardous waste disposal, oil spill contingency fee, and consumable hemp products). In FY23, these exemptions totaled approximately $388 million. There are no LED-administered exemptions that apply to any of the tax types included in this section.

LED-ADMINISTERED TAX EXEMPTIONS

Economic development incentives are utilized by state and local governments in pursuit of a variety of outcomes. While the generation of tax revenue is sometimes an objective, incentives are also employed to create jobs; address cost disadvantages of investing or employing workers in a particular geographic area; revitalize distressed areas; encourage business activity that is considered especially beneficial for a state; and attract specific industries with the expectation of future growth or to diversify the economy.

Louisiana Economic Development (LED) administers 22 of the exemptions in the TEB. The State Board of Commerce and Industry also must review and approve applications for some of the incentive programs. Businesses are required to meet specific criteria to be eligible for tax exemptions and must continue to meet performance requirements to maintain the exemptions. Those requirements vary depending on the exemption and its intended purposes. In accordance with statutory requirements, LED files an annual report with the Governor and each member of the Legislature providing an overview of each business incentive and assistance program administered by that department. This includes a brief description of each program's objective, annual activity, and performance information. As applicable, performance information includes the number of applications received, number of new projects, amount of associated certified spending in the state, number of new permanent jobs, number of construction jobs, number of retained permanent jobs, amount of associated capital investment, and amount of incentive awarded.

All LED-administered exemptions are applied to the different tax types in accordance with the structure of the specific exemption. For example, certain portions of the *Motion Picture Investor Tax Credit* can be applied to IIT or CIT. Also, the following five economic development exemptions included under "Tax Incentives and Exemptions Contracts" in the TEB are primarily managed by other entities and are not included in any total related to LED in this primer: *Atchafalaya Trace Heritage Area Development Zone Tax Exemption, Brownfields Investor Tax Credit, Cane River Heritage Tax Credit, Louisiana Capital Companies Tax Credit Program, New Markets Tax Credit.*

LED-administered exemptions totaled $417 million and accounted for 6% of all exemptions in Louisiana in FY23. Appendix F lists all LED-administered exemptions in the State of Louisiana for FY23 by value.

Top LED-administered Exemptions in FY23

The largest LED-managed exemptions, ranked by value in FY23, are summarized below.

Louisiana Quality Jobs Program

In 1995, the Louisiana Quality Jobs Program, or QJ program, was created to encourage employers within certain industries, such as manufacturing, to create well-paying jobs and make significant contributions to the development of the state economy. The program was last amended in 2022 to extend the sunset provisions for acceptance of advance notifications. The QJ program offers the following three types of incentives to businesses that meet certain criteria:

- Payroll Rebate ($39.5 million in FY23). In order to qualify for the payroll rebate, companies with 50 or fewer employees must create five new direct jobs, while larger companies must create at least 15 new direct jobs. To qualify for the rebate, (1) the company must pay at least $18/hour for a 4% rebate ($21.66/hour for a 6% rebate); (2) the new employees must reside in Louisiana and work an average of at least 30 hours per week; and (3) the company must provide access to Affordable Care Act-compliant health insurance. The company must also be eligible based on its industry, out-of-state sales, or be located in one of the lowest 25% of parishes based on per-capita income.
- Sales and Use Tax Rebate (SUTR) ($8.6 million in FY23). In 2002, the Legislature added SUTR to the QJ program. The state offers this rebate for the sales tax paid on materials used in the construction of new infrastructure, machinery, and equipment purchased during the construction period and used exclusively on site. The company must meet the job creation requirement to receive this rebate. Companies can also receive rebates from local governments for their local sales and use taxes paid with the approval of the local entity levying the tax.
- Project Facility Expense Rebate (PFER) ($102 million in FY23). As opposed to directly incentivizing the creation of new well-paying jobs, the state offers a rebate equal to 1.5% of qualifying capital expenditures, such as equipment, materials, and construction labor, incurred as part of the QJ project. A company cannot receive both SUTR and PFER rebates, and must meet the job creation requirement to receive this rebate.

Louisiana's QJ program is similar to those in other states in that it sets minimum standards for health care benefits and restricts eligible businesses to specific target sectors for economic development. In a 2020 Tax Incentive Evaluation, the Louisiana Legislative Auditor and LED identified 13 programs in nine states with similar programs to Louisiana's focusing on southern states since they are more likely to compete for the same industrial projects as Louisiana. Those programs and states are:

1. Alabama: Alabama Jobs Act
2. Arkansas: Create Rebate program and Advantage Arkansas
3. Florida: Florida Qualified Target Industry Tax Refund program
4. Georgia: Jobs Tax Credit program
5. Mississippi: Advantage Jobs program and Jobs Tax Credit program
6. Oklahoma: Quality Jobs, Small Business Quality Jobs, 21st Century Jobs programs
7. South Carolina: Job Development Credit program
8. Tennessee: Job Tax Credit
9. Virginia: Major Business Facility Job Tax Credit.

An extensive report on the historical performance of Louisiana's QJ program, including program evaluation and recommendations for improvement, was completed in 2020 and is available for download on LED's website. For FY23, this exemption totaled $150 million.

Motion Picture Investor Tax Credit

The Louisiana Motion Picture Investor Tax Credit Program ("MPITC"), statutorily known as the Motion Picture Production Tax Credit, became effective in 2002 and was most recently amended in 2023. The MPITC was designed to incentivize the development of a strong capital and infrastructure base for motion picture production in Louisiana.[49]

For applications received on or after July 1, 2017, the MPITC offers a 25% base income tax credit on total eligible Louisiana expenditures with the potential of earning up to a 40% tax credit. A 5% base credit increase is available for out-of-zone filming and a 10% base credit increase is available for productions based on screenplays created by Louisiana residents. There are also specific credit increases available for certain types of expenditures. For instance, if at least 50% of the visual effects ("VFX") budget is spent on eligible services performed in Louisiana by an approved qualified entertainment company, or at least $1 million is spent on qualified VFX expenses in Louisiana, a 5% VFX credit is available for the eligible expenditures. Furthermore, a 15% payroll credit is available on qualified Louisiana payrolls for compensation paid directly to a Louisiana resident.

LED cannot issue more than $150 million of credits per fiscal year, and no more than $180 million of credits can be claimed on tax returns or buybacks through LDR in a fiscal year.

Rather than claiming the credit against income tax, production companies can transfer credits back to the state for 90% of their face value less a 2% transfer fee resulting in an 88% net return. The buy-back program reduces the state's cost of this credit by 12%, while accelerating the financial benefit of the credit to the production company. For applications received on or after July 1, 2017, the credits cannot be transferred or sold by a production company to a third party.

Approximately 36 states, including the District of Columbia, offer some type of motion picture industry incentive program.[50] For FY23, this exemption totaled $134 million.

Enterprise Zone Program

Enacted in 1981, the Louisiana Enterprise Zone Program, or EZ program, was designed to encourage businesses to locate and/or expand existing operations in economically distressed areas, and to create a minimum of five full-time jobs filled by residents living in/or near economically distressed areas or increase their current nationwide workforce by 10% within the first 12 months.

The EZ program provides Louisiana income and franchise tax credits to businesses hiring at least 50% of net new jobs from one of four targeted groups including (1) residents of EZs, (2) people receiving an approved form of public assistance, (3) people lacking basic skills, and (4) people unemployable by traditional standards. EZs are areas with high unemployment, low income or a high percentage of residents receiving some form of public assistance. The program provides either a $3,500 or a $1,000 tax credit for each certified net new job created, and either a state sales/use tax rebate on qualifying materials, machinery, furniture, and/or equipment purchased, or a refundable investment income tax credit equal to 1.5% of qualified expenditures. The investment income tax credit and sales rebate are each capped at $100,000 per new job. The program is scheduled to sunset on July 1, 2026, and LED cannot accept any advance notification after that date.

For FY23, this exemption totaled $23 million.

As of 2016, Louisiana's EZ program has become increasingly similar to those in neighboring states (Alabama, Arkansas, Mississippi, and Texas). For instance, state law no longer allows businesses located outside an enterprise zone to participate in the EZ program and receive EZ program incentives. In addition, state law now excludes retail industries from receiving EZ program incentives, does not allow businesses to count part-time employees, and no longer allows businesses to receive EZ program incentives before proving new job creation. In contrast, while Texas shares with the public both the names of businesses that participate in the program and the amounts of incentives each individual business receives, LED only provides the public with the names and types of businesses that participate in the EZ program.

49 Louisiana Legislative Auditor, *Motion Picture Investor Tax Credit Informational Brief*, 2023

50 Louisiana Legislative Auditor, *Motion Picture Investor Tax Credit Informational Brief*, 2023

APPENDICES

Appendix A: Top 25 State Tax Exemptions in Louisiana by Value

Appendix B: Sales Tax Exemptions in Louisiana

Appendix C: Individual Income Tax Exemptions in Louisiana

Appendix D: Corporation Income Tax Exemptions in Louisiana

Appendix E: Corporation Franchise Income Tax Exemptions in Louisiana

Appendix F: Severance Tax Exemptions in Louisiana

Appendix G: LED-Administered Tax Exemptions

APPENDIX A: TOP 25 STATE TAX EXEMPTIONS IN LOUISIANA BY VALUE

	Exemption	Tax Type	FY 23 Value
1	Subchapter S Corporation	Corporation Income	$824,249,891
2	Sales of Food for Preparation and Consumption in the Home	Sales	$584,488,663
3	Federal Income Tax Deduction	Income (all)	$559,518,321
4	Sales of Gasoline, Gasohol, and Diesel	Sales	$551,774,244
5	Purchases by State and Local Governments1	Sales	$443,716,306
6	Drugs Prescribed by Physicians or Dentists	Sales	$405,793,229
7	Sales of Electric Power or Energy - Nonresidential	Sales	$258,628,607
8	Net Louisiana Operating Loss	Corporation Income	$256,416,744
9	Sales of Electric Power or Energy to the Consumer for Residential Use	Sales	$251,335,231
10	Personal Exemption-Standard Deduction3	Individual Income	$220,332,054
11	Inventory Tax/Ad Valorem Tax	Income (all) and Franchise	$174,990,785
12	Horizontal Wells	Severance	$163,184,111
13	Social Security Benefits	Individual Income	$158,869,675
14	Louisiana Quality Jobs Program	Tax Incentive - LED	$150,061,656
15	Motion Picture Investor Tax Credit	Tax Incentive - LED	$134,482,210
16	Dyed Diesel and Dyed Kerosene Gallons Removed for Non-Highway Purposes	Petroleum (Motor Fuels)	$133,681,704
17	Net Income Taxes Paid to Other States	Individual Income	$129,816,933
18	State Employees, Teachers, and Other Retirement Benefits	Individual Income	$122,246,591
19	Interstate Gasoline and Diesel Shipments/Exports	Petroleum (Motor Fuels)	$108,053,708
20	Purchases Made with Food Stamps and WIC Vouchers	Sales	$104,023,481
21	Excess Federal Itemized Deductions	Individual Income	$95,761,358
22	Net Capital Gains	Individual Income	$86,853,986
23	Procurement Processing Company Rebate Program	Sales	$73,100,278
24	Purchases of Automobiles for Lease or Rental	Sales	$68,117,709
25	Earned Income Tax Credit	Individual Income	$66,045,533

APPENDIX B: SALES TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemption Title	FY23 Value
215	Sales of Food for Preparation and Consumption in the Home	$584,488,663
220	Sales of Gasoline, Gasohol, and Diesel	$551,774,244
28	Purchases by State and Local Governments1	$443,716,306
219	Drugs Prescribed by Physicians or Dentists	$405,793,229
107	Sales of Electric Power or Energy - Nonresidential	$258,628,607
216	Sales of Electric Power or Energy to the Consumer for Residential Use	$251,335,231
213	Purchases Made with Food Stamps and WIC Vouchers	$104,023,481
32	Purchases of Automobiles for Lease or Rental	$68,117,709
131	Property Purchased for Exclusive Use Outside the State	$56,889,838
14	Purchases of Consumables by Paper and Wood Manufacturers and Loggers	$51,796,073
116	Medical Devices Used by Patients Under the Supervision of a Physician	$45,528,468
34	Purchases of Tangible Personal Property for Lease or Rental	$39,142,188
6	Installation Charges on Tangible Personal Property	$35,057,713
78	Other Constructions Permanently Attached to the Ground	$33,510,404
201	Vendor's Compensation	$29,280,276
125	Sales of Seeds for Planting Crops	$28,063,523
163	Certain Trucks and Trailers Used 80 Percent in Interstate Commerce	$26,072,499
11	Purchases of Manufacturing Machinery and Equipment	$21,810,593
74	Used Manufactured Homes and 54 Percent of Cost of New Manufactured Homes	$20,511,418
36	Electricity for Chlor-Alkali Manufacturing Process	$20,506,576
102	Farm Products Produced and Used by the Farmer	$15,299,251
67	Repairs, Renovations or Conversions of Drilling Rigs	$13,996,682
123	Sales of 50-Ton Vessels and New Component Parts & Sales of Certain Materials and Services to Vessels in Interstate Commerce	$13,561,662
106	Sales of Water - Nonresidential	$10,347,802
147	First $50,000 of the Sales Price of Certain Farm Equipment and Attachments	$9,520,238
38	Sales of Raw Agricultural Commodities	$7,852,868
113	Orthotic and Prosthetic Devices	$7,723,456
96	Sales of Farm Products Direct from the Farm	$5,774,845
5	Isolated or Occasional Sales of Tangible Personal Property	$5,065,156
69	Sales of Platinum, Gold, and Silver Bullion and Numismatic Coins at Certain Trade Shows	$4,198,897
82	Purchases of Machinery and Equipment by Certain Utilities	$3,872,545
31	Purchases by Nonprofit Entities that Sell Donated Goods	$3,757,193
152	Sales of Certain Fuels Used for Farm Purposes	$3,609,220
9	Manufacturers Rebates on New Motor Vehicles	$3,548,602
66	Repair Services Performed in Louisiana When the Repaired Property is Exported	$3,495,737
18	Certain Transactions Involving the Construction or Overhaul of U.S. Navy Vessels	$3,382,971
37	Sales of Human-Tissue Transplants	$2,883,612
129	Sales of Pesticides for Agricultural Purposes	$2,855,033
17	Rentals or Leases of Certain Oilfield Property to be Re-Leased or Re-Rented	$2,401,687
143	Lease or Rental of Certain Vessels in Mineral Production	$2,297,094
134	Sales of Tangible Personal Property at or Admissions to Events Sponsored by Certain Nonprofit Groups	$2,232,766
20	Purchases, Leases and Sales of Services by Free Hospitals	$1,857,551
89	Advertising Services	$1,793,370
97	Livestock Sold at Market and Racehorses Claimed in Louisiana	$1,596,991
202	Sales Tax Remitted on Bad Debts from Credit Sales	$1,437,352

APPENDIX B: SALES TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemption Title	FY23 Value
33	Sales of Marijuana for Therapeutic Use	$1,375,259
98	Feed and Feed Additives for Animals Held for Business Purposes	$1,360,546
90	Purchases by Nonprofit Electric Cooperatives	$1,093,275
186	Purchases of Feminine Hygiene Products, Diapers, or Both for Individual Personal Use	$981,269
27	Purchases by Regionally Accredited Independent Educational Institutions	$906,987
93	Sales by Certain Publicly-Owned Facilities	$896,331
58	Articles Traded in on Tangible Personal Property	$841,784
72	Work Products of Certain Professionals	$829,414
100	Bait and Feed Used in the Production or Harvesting of Crawfish	$829,373
141	Receipts from Coin-Operated Washing and Drying Machines in Commercial Laundromats	$733,369
144	Purchases of Supplies, Fuels, and Repair Services for Boats Used by Commercial Fishermen	$675,762
117	Restorative Materials Used by Dentists	$662,918
52	Purchases by a Private Postsecondary Academic Degree-Granting Institution	$620,913
21	Certain Educational Materials and Equipment Used for Classroom Instruction	$580,858
161	Pharmaceutical Samples Distributed in Louisiana	$575,135
68	Surface Preparation, Coating and Painting of Certain Aircraft	$535,041
119	Sales of Food by Certain Institutions	$527,554
84	Donations to Certain Schools	$501,057
154	Purchases of Certain Fuels for Private Residential Consumption	$497,656
62	Admissions Charges to Athletic or Entertainment Events of Elementary and Secondary Schools	$410,677
166	Rail Rolling Stock Repaired or Fabricated in Louisiana	$380,875
8	Installation of Board Roads to Oilfield Operators	$296,342
41	Purchases of New or Used School Buses	$282,457
177	Sales of Polyroll Tubing	$253,741
207	Louisiana Tax Free Shopping Program	$238,100
99	Materials Used in the Production or Harvesting of Crawfish	$227,078
140	Cable Television Installation and Repair Services	$172,986
73	Pharmaceuticals Administered to Livestock for Agricultural Purposes	$152,759
114	Ostomy, Colostomy, Ileostomy, and Other Appliance Devices	$148,251
92	Sales by State-Owned Domed Stadiums and Baseball Facilities	$147,553
46	Purchases of Equipment by Bona Fide Volunteer and Public Fire Departments	$108,247
133	Admissions to Entertainment by Domestic Nonprofit Charitable, Educational, and Religious Organizations	$99,035
26	Leases or Rentals by Short-Term Equipment Rental Dealers for Re-Lease or Re-Rental	$92,252
63	Membership Fees or Dues of Nonprofit or Civic Organizations	$87,245
40	Sales of Food Items by Youth Organizations	$84,924
180	Parish Councils on Aging	$63,782
101	Materials Used in the Production or Harvesting of Catfish	$62,449
61	Admissions Charges to Athletic or Entertainment Events of Colleges and Universities	$48,554
208	Motor Vehicles Used by Those with Orthopedic Disabilities	$44,025
153	Sales or Purchases by Certain Sheltered Workshops or Supported Employment Providers	$38,344
44	Certain Aircraft Assembled in Louisiana	$29,330
165	Rail Rolling Stock Sold or Leased in Louisiana	$27,601
127	Sales of Admission Tickets by Little Theater Organizations	$27,210
76	Materials Used Directly in the Collection of Blood	$20,479
70	Certain Geophysical Survey Information and Data Analyses	$19,565

APPENDIX B: SALES TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemption Title	FY23 Value
65	Admissions to Places of Amusement at Camp or Retreat Facilities	$13,034
128	Tickets to Musical Performances by Nonprofit Musical Organizations	$12,484
42	Tangible Personal Property Sold or Donated to Food Banks	$11,973
57	Qualifying Events Providing Louisiana Heritage, Culture, Crafts, Art, Food and Music Sponsored by a Domestic Nonprofit Organization	$0
132	Additional Tax Levy on Contracts Entered into Prior to and Within 90 Days of Tax Levy	$0
139	Purchases by Certain Organizations that Promote Training for the Blind	$0
191	Certain Interchangeable Components; Optional Method to Determine	$0
192	Helicopters Leased for Use in the Extraction, Production, or Exploration for Oil, Gas, or Other Minerals	$0
193	Cash-Basis Sales Tax Reporting and Remitting for Health and Fitness Club Membership Contracts	$0
194	Cash-Basis Reporting Procedure for Rental and Lease Transactions	$0
195	Collection from Interstate and Foreign Transportation Dealers	$0
196	Extended Time to Register Mobile Homes	$0
197	“Sales or Cost Price” of Refinery Gas	$0
198	News Publications Distributed at No Cost to Readers	$0
199	Leases or Rentals of Railroad Rolling Stock and Leases or Rentals by Railway Companies and Railroad Corporations	$0
205	Sales, Leases, or Rentals of Durable Medical Equipment Paid by or Under Provisions of Medicare	$0
209	Fiber-Optic Cable Equipment Rebate	$0
210	Hurricane Impacted Agricultural Fencing Materials Rebate	$0
136	Sales by Thrift Shops on Military Installations	See number 55
39	Sale to the United States Government and its Agencies	See number 28
49	Purchases of Butane, Propane and Liquefied Petroleum Gas by Residential Consumers	See number 216
217	Sales of Natural Gas to the Consumer for Residential Use	See number 216
218	Sales of Water to the Consumer for Residential Use	See number 216
160	Piggy-Back Trailers or Containers and Rolling Stock	See number 165
59	First $50,000 of New Farm Equipment Used in Poultry Production	See number 147
138	Sales or Purchases by Blind Persons Operating Small Businesses	See number 139
109	Sales of Fertilizers and Containers to Farmers	See number 125
53	Purchases of Food Items for School Lunch or Breakfast Programs by Nonpublic Elementary or Secondary Schools	See number 119
12	Purchases of Certain Machinery and Equipment Used to Produce a News Publication	See number 11
79	Purchases by Motor Vehicle Manufacturers	See number 11
80	Purchases by Glass Manufacturers	See number 11
13	Purchases of Electric Power and Natural Gas by Paper or Wood Products Manufacturing Facilities	See number 107
35	Natural Gas Used in the Production of Iron	See number 107
51	Natural Gas Held, Used, or Consumed in Providing Natural Gas Storage Services or Operating Natural Gas Storage Facilities	See number 107
110	Sales of Natural Gas - Nonresidential	See number 107
111	Energy Sources Used as Boiler Fuel, Except Refinery Gas	See number 107
168	Utilities Used by Steelworks and Blast Furnaces	See number 107
104	Sales of Steam - Nonresidential	See number 106
149	Sales of Gasohol (not subject to motor fuels tax)	See number 103
29	Purchases of Certain Bibles, Songbooks, or Literature by Certain Religious Institutions for Instructional Classes2	Prohibited
30	Purchases by the Society of the Little Sisters of the Poor[2]	Prohibited
200	Sales Through Coin-Operated Vending Machines	No Reporting Requirement
86	Miscellaneous Telecommunication Services	No data
87	Telecommunications Services Through Coin-Operated Telephones	No data
188	Sale of Certain Antique Motor Vehicles	No data

APPENDIX B: SALES TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemption Title	FY23 Value
211	Credit for Sales and Use Taxes Paid to Other States on Property Imported into Louisiana	No data
212	Credit for Use Tax Paid on Automobiles Imported by Certain Members of the Armed Services	No data
214	Use of Vehicles in Louisiana by Active Military Personnel	No data
15	Room Rentals at Camp and Retreat Facilities	Negligible
16	Room Rentals at Certain Homeless Shelters	Negligible
22	Sales and Rentals to Boys State of Louisiana, Inc. and Girls State of Louisiana, Inc.	Negligible
23	Vehicle Rentals for Re-Rent to Warranty Customers	Negligible
50	Donation of Toys	Negligible
55	Sales of Tangible Personal Property by the Louisiana Military Department	Negligible
77	Apheresis Kits and Leuko Reduction Filters	Negligible
94	Boats, Vessels, and Other Water Craft as Demonstrators	Negligible
105	Steam Used in Processing of Raw Agricultural Product	Negligible
108	Sale and Purchase of Electricity for Use in Production Activity of Stripper Wells	Negligible
112	Trucks, Automobiles, and New Aircraft Removed from Inventory for Use as Demonstrators	Negligible
118	Adaptive Driving Equipment and Motor Vehicle Modification	Negligible
122	Kidney Dialysis Machines, Parts, and Supplies for Home Use when Prescribed by a Physician	Negligible
126	Sales of Utilities to Commercial Farmers for On-Farm Storage	Negligible
142	Outside Gate Admissions and Parking Fees at Fairs, Festivals, and Expositions Sponsored by Nonprofit Organizations	Negligible
146	Certain Purchases by Student Farmers	Negligible
167	Sales of Railroad Ties to Railroads for Use in Other States	Negligible
173	Sales of Construction Materials to Habitat for Humanity, Fuller Center for Housing and Make it Right Foundation	Negligible
174	Sales of Construction Materials to Animal Shelters for Construction of New Animal Shelters in Louisiana	Negligible
178	Purchase, Lease or Repair of Certain Capital Equipment and Computer Software by Qualifying Radiation Therapy Treatment Centers	Negligible
185	Hurricane Laura, Hurricane Delta and COVID-19 Pandemic Sales Tax Holiday	Negligible
203	State Sales Tax Paid on Property Destroyed in a Natural Disaster	Negligible
	TOTAL SALES TAX REVENUE LOSS	**$3,229,035,473**

APPENDIX C: INDIVIDUAL INCOME TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemption Title	FY23 Value
97	Federal Income Tax Deduction	$399,378,265
98	Personal Exemption-Standard Deduction	$220,332,054
6	Social Security Benefits	$158,869,675
36	Net Income Taxes Paid to Other States	$129,816,933
4	State Employees, Teachers, and Other Retirement Benefits	$122,246,591
5	Excess Federal Itemized Deductions	$95,761,358
6	Net Capital Gains	$86,853,986
76	Earned Income Tax Credit	$66,045,533
66	Rehabilitation of Historic Structures	$53,878,134
5	Federal Retirement Benefits	$39,646,298
2	Annual Retirement Income	$35,111,441
79	Inventory Tax /Ad Valorem Tax	$28,918,258
80	Dependent/Blind/Aged Exemption/Deduction	$28,353,316
10	Pass-Through Entity Tax Election	$19,762,938
11	I.R.C. Section 280C Expense	$19,064,514
12	Elementary & Secondary School Tuition	$17,068,498
91	School Readiness Child Care Directors and Staff	$15,974,743
73	Donations to School Tuition Organization	$15,389,522
42	Certain Child Care Expenses	$13,523,287
7	Military Pay	$7,715,798
90	School Readiness Child Care Provider	$5,275,286
8	S Bank Income	$5,167,921
98	Interest on United States Government Obligations	$3,167,604
12	COVID-19 Relief Benefits	$3,118,448
13	START Savings Program Contribution	$3,021,856
14	Fees and Other Educational Expenses for a Quality Public Education	$2,730,323
81	Ad Valorem Tax on Offshore Vessels	$2,011,323
89	School Readiness Child Care	$1,439,242
93	School Readiness Fees and Grants to Resource and Referral Agencies	$1,257,343
3	Disability Income	$750,191
86	Milk Producers	$417,600
87	Educational Expenses for Home-Schooled Children	$379,942
92	School Readiness Business-Supported Child Care	$265,914
87	Conversion of Vehicles to Alternative Fuel	$201,210
99	Native American Income	$195,229
74	Rehabilitation of an Owner Occupied Residential or Mixed-Use Property	$91,067
75	START K-12 Savings Program Contribution	$50,575
76	Volunteer Firefighter	$41,142
63	Purchase of Qualified Recycling Equipment	$40,952
64	Adoption from Foster Care	$38,935
52	Stillborn Child	$36,085
53	Recreation Volunteer	$18,005
39	Certain Disabilities	$16,695
84	LA Citizens Property Insurance Corporation Assessment	$16,025
85	Compensation for Disaster Services	$0

APPENDIX C: INDIVIDUAL INCOME TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemption Title	FY23 Value
86	Employment of Qualified Disabled Individuals	$0
38	Louisiana Work Opportunity	$0
44	Family Responsibility	$0
56	Debt Issuance Costs	$0
58	Donations of Materials, Equipment, or Instructors made to Certain Training Providers	$0
71	Louisiana Community Development Financial Institutions	$0
72	Low-Income Housing	$0
75	Property Insurance	$0
80	Ad Valorem Tax on Natural Gas	$0
82	Ad Valorem Tax Paid by Certain Telephone Companies	$0
83	Purchases from Prison Industry Enhancement Contractors	$0
85	Solar Energy System	$0
95	Donations to School Tuition Organization	$0
1	Private Adoption of Certain Infants	See number 34
11	Mobile Workforce	See number 3
14	Adaptive Home Improvements for Disabled Individuals	See number 3
15	Military Family Assistance Fund	See number 3
69	Donations to Qualified Foster Care Organizations	See note 7
67	Youth Jobs	See note 6
68	Apprenticeship (2022)	See note 6
1	Interest on State or Local Government Obligations	No Reporting Requirement
13	Digital Nomad	Negligible
14	Entity-Level Income Tax Paid to Other States	Negligible
15	Construction Code Retrofitting	Negligible
16	Hurricane Recovery Entity Benefits	Negligible
17	COVID-19 Educational Expenses	Negligible
37	Contribution of Tangible Property of a Sophisticated and Technological Nature to Educational Institutions	Negligible
40	Special Allowable Credits	Negligible
41	Education	Negligible
45	Small-Town Health Professional	Negligible
49	Purchase of Bulletproof Vest	Negligible
53	Pregnancy Related Death5	Negligible
55	Donations to Assist Qualified Playgrounds	Negligible
60	Living Organ Donation	Negligible
61	Employment-Related Expense for Maintaining Household for Certain Disabled Dependents	Negligible
65	Apprenticeship (2007)	Negligible
77	Amounts Paid by Certain Military Servicemembers for Obtaining Louisiana Hunting and Fishing Licenses	Negligible
94	COVID-19 Pandemic ATC License	Negligible
	TOTAL LOUISIANA INDIVIDUAL INCOME TAX EXEMPTIONS	**$1,603,460,055**

APPENDIX D: CORPORATION INCOME TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemptions	FY23 Value
9	Subchapter S Corporation	$824,249,891
13	Net Louisiana Operating Loss	$256,416,744
47	Inventory Tax/Ad Valorem Tax	$146,072,527
62	Federal Income Tax Deduction	$138,624,895
20	Insurance Company Premium Tax	$53,724,877
39	Rehabilitation of Historic Structures	$27,110,506
19	Pass-Through Entity Tax Election	$16,585,980
50	Ad Valorem Tax Paid by Certain Telephone Companies	$8,850,025
49	Ad Valorem Tax on Offshore Vessels	$4,529,126
57	School Readiness Child Care Provider	$4,106,750
46	Donations to School Tuition Organization	$3,463,255
48	Ad Valorem Tax on Natural Gas	$2,206,965
58	School Readiness Business-Supported Child Care	$443,901
59	School Readiness Fees and Grants to Resource and Referral Agencies	$366,001
54	Milk Producers	$25,200
55	Conversion of Vehicles to Alternative Fuel	$17,263
8	Governmental Subsidies for Operating Public Transportation Systems	$0
21	Louisiana Work Opportunity	$0
22	Bone Marrow Donor Expense	$0
23	Employment of Certain First-Time Nonviolent Offenders	$0
24	Donations to Assist Qualified Playgrounds	$0
25	Contribution of Tangible Property of a Sophisticated and Technological Nature to Educational Institutions	$0
27	Donations to Public Elementary or Secondary Schools	$0
28	Debt Issuance Costs	$0
30	Donations of Materials, Equipment, or Instructors Made to Certain Training Providers	$0
31	Employment of the Previously Unemployed	$0
32	Purchase of Qualified Recycling Equipment	$0
33	Louisiana Basic-Skills Training	$0
34	Apprenticeship (2007)	$0
36	Certain Refunds Issued by Utilities	$0
37	Hiring Eligible Re-Entrants	$0
38	Neighborhood Assistance	$0
40	Louisiana Community Development Financial Institutions Act	$0
43	Donations to Qualified Foster Care Organizations3	$0
45	Low-Income Housing	$0
51	Purchases from Prison Industry Enhancement Contractors	$0
53	Solar Energy System	$0
61	Donations to School Tuition Organization	$0
52	LA Citizens Property Insurance Corporation Assessment4	-$7,857
42	Apprenticeship	See number 41
1	Credit Unions	No Reporting Requirement
2	Certain Foreign Corporations	No Reporting Requirement
3	Electric Cooperatives	No Reporting Requirement
4	State Banking Corporations and Shareholders	No Reporting Requirement
5	Dividends from National Banking Corporations and State Banking Corporations	No Reporting Requirement

APPENDIX D: CORPORATION INCOME TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemptions	FY23 Value
6	Interest on State or Local Government Obligations	No Reporting Requirement
7	Certain Exempt Entities	No Reporting Requirement
10	Compensation for Disaster Services	No data
11	COVID-19 Relief Benefits	No data
12	Percentage Depletion	No data
14	I.R.C. Section 280E Expense	No data
15	I.R.C. Section 280C Expense	No data
16	Interest Income and Dividend Income	No data
17	Hurricane Recovery Entity Benefits	No data
18	Employment of Qualified Disabled Individuals	No data
35	New Jobs	Negligible
41	Youth Jobs2	Negligible
60	COVID-19 Pandemic ATC License	Negligible
	TOTAL CORPORATION INCOME TAX REVENUE LOSS	**$1,486,786,049**

APPENDIX E: CORPORATION FRANCHISE TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemption Title	FY23 Value
30	Inventory Tax/Ad Valorem Tax	$107,012,279
14	Franchise Tax Suspension for Certain Businesses	$5,073,638
31	Ad Valorem Tax on Natural Gas	$4,380,309
24	Rehabilitation of Historic Structures	$4,276,716
32	Ad Valorem Tax on Offshore Vessels	$4,027,467
33	Ad Valorem Tax Paid by Certain Telephone Companies	$1,547,415
36	School Readiness Child Care Provider	$1,206,014
38	School Readiness Fees and Grants to Resource and Referral Agencies	$121,328
37	School Readiness Business-Supported Child Care	$25,333
15	Louisiana Work Opportunity	$0
16	Donations to Assist Qualified Playgrounds	$0
17	Debt Issuance Costs	$0
18	Donations to Public Elementary or Secondary Schools	$0
19	Donations of Materials, Equipment, or Instructors made to Certain Training Providers	$0
20	Employment of the Previously Unemployed	$0
22	Louisiana Basic-Skills Training	$0
34	Purchases from Prison Industry Enhancement Contractors	$0
35	Milk Producers	$0
25	Youth Jobs	included in CIT
26	Apprenticeship	included in CIT
1.	Agricultural Cooperative, Farmer Credit, and Farmers' Credit Cooperative Associations	No Reporting Requirement
2.	Cooperative Marketing Associations	No Reporting Requirement
3.	Credit Unions	No Reporting Requirement
4.	Limited Liability Companies	No Reporting Requirement
5.	Certain Foreign Corporations	No Reporting Requirement
6.	Electric Cooperatives	No Reporting Requirement
7	Certain Entities	No Reporting Requirement
8	Bank-Holding Corporations	No data
9	Public-Utility Holding Corporations	No data
10	Public Water Utility Companies	No data
11	Members of Controlled Groups that Include a Telephone Corporation	No data
12	Regulated Utility Companies	No data
13	Holding Company	No data
21	Purchase of Qualified Recycling Equipment	Negligible
23	Apprenticeship (2007)	Negligible
	TOTAL STATE REVENUE LOSS	**$127,670,499**

APPENDIX F: SEVERANCE TAX EXEMPTIONS IN LOUISIANA

TEB No.	Exemption Title	FY23 Value
7	Horizontal Wells	$163,184,111
2.	Stripper Oil Wells	$26,794,939
10	Incapable Gas-Well Gas	$15,398,582
18	Tertiary Recovery	$13,306,287
19	Incapable Oil Wells	$10,352,114
15	Horizontal Wells	$9,296,623
4	Consumed in Field Operations	$4,204,325
1	Injection	$1,222,368
28	U.S. Government Royalty - Gas Wells	$1,157,155
23	Inactive Wells	$681,667
3	Flared or Vented	$431,801
9	Incapable Oil-Well Gas	$415,516
14	Trucking, Barging, and Pipeline Fees	$340,319
29	U.S. Government Royalty - Oil Wells	$202,998
6	Used in the Manufacture of Carbon Black	$72,101
17	Deep Wells	$42,207
12	Inactive Wells	$36,306
5	Consumed in the Production of Natural Resources in the State of Louisiana	$0
11	Orphan Wells	$0
16	Orphan Well Rework	$0
21	Stripper Oil Wells - Value Less than $20 per Barrel	$0
22	Orphan Wells	$0
24	Salvage Oil	$0
25	Horizontal Mining and Drilling Projects	$0
26	Produced Water Injection - Oil Wells	$0
27	Owned and Severed by Political Subdivisions	$0
2	Produced Outside the State of Louisiana	Negligible
8	Deep Wells	Negligible
13	Produced Water Injection - Gas Wells	Negligible
	TOTAL SEVERANCE TAX REVENUE LOSS	**$247,139,419**

APPENDIX G: LED-MANAGED TAX EXEMPTIONS

TEB No.	Exemption Title	FY23 Value
23.	Louisiana Quality Jobs Program	$150,061,656
5.	Motion Picture Investor Tax Credit	$134,482,210
27.	Procurement Processing Company Rebate Program	$73,100,278
14.	Enterprise Zones	$23,070,138
7.	Digital Interactive Media & Software Tax Credit	$16,914,877
6.	Research and Development Tax Credit	$11,488,084
21.	Retention and Modernization Credit	$2,302,000
12.	Industrial Tax Equalization Program	$2,204,958
19.	Angel Investor Tax Credit Program	$1,782,014
13.	Exemptions for Manufacturing Establishments	$886,430
20.	Musical & Theatrical Productions Tax Credit	$758,797
15.	Sound Recording Investor Tax Credit	$47,229
4.	Ports of Louisiana Tax Credits	$0
26.	Competitive Projects Payroll Incentive Program	$0
28.	Louisiana Import Tax Credit	$0
	TOTAL TAX INCENTIVE AND EXEMPTION CONTRACTS REVENUE LOSS	**$417,098,671**

Note: The following five economic development exemptions included in the TEB are not managed by LED, thus they are not included in any total related to LED in this primer: Atchafalaya trace heritage area development zone tax exemption, Brownfields investor tax credit, Cane river heritage tax credit, Louisiana capital companies tax credit program, New markets tax credit.