

2022 Regular Session

SENATE BILL NO. 247

BY SENATOR ALLAIN

TAX/AD VALOREM. Provides for procedures for parishes to exempt inventory from ad valorem taxation. (See Act)

1 AN ACT

2 To enact R.S. 47:1717, relative to ad valorem tax exemptions; to provide for procedures for
3 parishes providing an ad valorem tax exemption for goods held in inventory; to
4 provide for a definition of goods held in inventory; to provide for effectiveness; and
5 to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:1717 is hereby enacted to read as follows:

8 **§1717. Procedure for adoption of the exemption of goods held in inventory**

9 **A. Parishes may exempt all goods held in inventory from all parish,**
10 **municipal, and special ad valorem taxes pursuant to Article VII, Section 21(O)**
11 **of the Louisiana Constitution. The exemption shall apply to all goods held in**
12 **inventory within the parish for all ad valorem taxes imposed by any taxing**
13 **authority in the parish.**

14 **B. Procedure.**

15 **(1) Parishes may adopt this exemption using either of the following**
16 **alternative procedures:**

17 **(a) The parish governing authority, with the approval of all**

1 municipalities in the parish, adopts the exemption by ordinance. Before a vote
2 by the parish governing authority on the exemption ordinance, the parish
3 governing authority shall publish the proposed ordinance in the official journal
4 of the parish for not less than thirty days before the exemption will become
5 effective and shall hold not less than one public hearing on the proposed
6 exemption during that thirty-day period.

7 (b) The parish governing authority adopts the exemption by ordinance
8 and a proposition authorizing the exemption is approved by a majority of the
9 qualified electors of the parish voting at an election held for that purpose.

10 (2) If approved, the exemption provided by Article VII, Section 21(O) of
11 the Louisiana Constitution and this Section shall exempt all goods held in
12 inventory within the parish for all ad valorem taxes imposed by any taxing
13 authority in the parish.

14 (3) Once made, the exemption for all goods held in inventory within the
15 parish from ad valorem taxation shall not be revoked except by an act of the
16 legislature by a two-thirds vote of the elected members of each house.

17 C. (1) For purposes of this Section, "goods held in inventory" includes
18 the following:

19 (a) Goods or commodities awaiting sale that include but are not limited
20 to the merchandise of a retail or wholesale concern, the finished goods of a
21 manufacturer, the commodities from farms, mines, and quarries, and goods
22 that are used or trade-in merchandise and by-products of a manufacturer.

23 (b) Goods or commodities that are in the course of production.

24 (c) Raw materials and supplies that will be consumed in the Louisiana
25 manufacturing process.

26 (d) Any item of tangible personal property owned by a retailer that is
27 available for or subject to a short-term rental and that will subsequently or
28 ultimately be sold by the retailer. For purposes of this Paragraph, "short-term
29 rental" means a rental of an item of tangible personal property for a period of

1 less than three hundred sixty-five days, for an undefined period, or under an
2 open-ended agreement.

3 (2) Except as provided in Subparagraph (1)(d) of this Subsection, "goods
4 held in inventory" shall not include items that would otherwise be considered
5 inventory at any time following the initial lease by the taxpayer of such items,
6 items that would otherwise be considered inventory any time after the taxpayer
7 has commenced depreciating the item on the taxpayer's federal tax return, or
8 items that have been subject to use by the taxpayer when owned for more than
9 eighteen months.

10 D. The exemption provided in Article VII, Section 21(F) of the Louisiana
11 Constitution for manufacturing establishments and the exemption provided in
12 Article VII, Section 21(I) of the Louisiana Constitution for inventory held by
13 distribution centers shall not apply to any parish that exempts goods held in
14 inventory from ad valorem taxation pursuant to this Section.

15 Section 2. This Act shall take effect and become operative if and when the proposed
16 amendment to add Article VII, Section 21(O) of the Constitution of Louisiana contained in
17 the Act which originated as Senate Bill No. ___ of this 2022 Regular Session of the
18 Legislature is adopted at the statewide election to be held on November 8, 2022, and
19 becomes effective.

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

DIGEST

SB 247 Original 2022 Regular Session Allain

Present law provides that all property is subject to ad valorem tax unless specifically
exempted including goods held in inventory.

Proposed law authorizes parishes to exempt all inventory held by all taxpayers from all ad
valorem taxation in the parish.

Proposed law provides two alternative procedures for the adoption of the exemption for
goods held in inventory:

- (1) The parish governing authority, with the approval of all municipalities, adopts the
 exemption ordinance after publication of the proposed ordinance in the parish's
 official journal 30 days before the proposed effective date and a minimum of one
 public hearing during the 30-day period.

- (2) The parish governing authority adopts the exemption ordinance which must be approved by majority vote of the voters in the parish who vote in the election.

Proposed law provides that once adopted the exemption shall be in place until revoked by a 2/3 vote of the elected members of each house of the legislature.

Proposed law provides that "goods held in inventory" includes:

- (1) Goods awaiting sale including merchandise of a retailer or wholesaler concern, finished goods of a manufacturer, commodities from farms, mines, and quarries, used or trade-in merchandise, and by-products of a manufacturer.
- (2) Goods that are in the course of production.
- (3) Raw materials and supplies that will be consumed in the manufacturing process.
- (4) Any item of tangible personal property owned by a retailer that is available for or subject to a short-term rental and that will subsequently or ultimately be sold by the retailer, with limited exceptions.

Proposed law provides that "goods held in inventory" does not include items that would otherwise be considered inventory at any time following the initial lease by the taxpayer of such items, items that would otherwise be considered inventory any time after the taxpayer has commenced depreciating the item on the taxpayer's federal tax return, or items that have been subject to use by the taxpayer when owned for more than eighteen months except in limited circumstances.

Proposed law provides that the manufacturing establishment tax exemption program and optional exemption for inventory held by distribution centers provided by the present constitution does not apply to parishes making the election to exempt all inventory under proposed law.

Effective if and when the proposed amendment to add Article VII, Section 21(O) of the Constitution of Louisiana contained in the Act which originated as SB ___ of the 2022 RS is adopted at the statewide election to be held on November 8, 2022, and becomes effective.

(Adds R.S. 47:1717)