



2016
Board of
Directors

Senator J.P. Morrell
Chair
Senate Revenue and Fiscal Affairs

Frank
Fink,
President

RE: Sales Tax Exemption on Manufacturing Equipment and Machinery

Jerry
Bologna,
Vice-
President

Senator Morrell –

Mike
Eades,
Secretary

On behalf of LIDEA, the Louisiana Industrial Development Executives Association, I am presenting in writing the following remarks to support the continuation of the sales tax exemption on Manufacturing Equipment and Machinery.

Don
Allison,
Treasurer

The Tax Foundation's 2015 State Business Tax Climate Report by Scott Drenkard and Joseph Henchman found when reviewing Louisiana's sales taxes as they relate to business: Louisiana levies sales tax on many business inputs - utilities, services, manufacturing and leases, and maintains a high excise tax.

Michael
Olivier,
Past
President

The report further stated under its discussion of sales tax on business-to-business operations: When a business must pay sales taxes on manufacturing equipment and raw materials, the tax becomes part of the price of whatever the business makes. When the business then charges a sales tax on those products as they are sold, tax "pyramiding" exists and causes economic distortions.

Brenda
Bertus,
Director

If the producer passes the tax onto the consumer it becomes a factor of the final sales price charged for the item. If the consumer changes its purchasing habit, buying from another producer, then the producer eats the tax as a cost of doing business.

Jim
Bourgeois,
Director

In either case it's a tax on tax.

Larry
Collins,
Director

David Brunori, Research Professor of Public Policy and Public Administration at Georgetown University and Deputy Publisher at Tax Analysts, finds taxing business purchases causes the tax to be passed onto consumers without their knowledge. He goes further to say every time a business pays sales tax on a purchase, people are burdened, and they just don't know it. He does note that these inputs should only be exempt if they are truly inputs of the production process.

Grady
Fitzpatrick,
Director

In terms of competitiveness, our neighboring states have some version of the tax exemption.

Vic
Lafont,
Director

Texas's rule 3:300 allows manufacturers to claim a sales tax exemption for tangible personal property directly used or consumed in or during the actual manufacturing processing or fabrication of tangible personal property for ultimate sale if the use or consumption is necessary or estimation to the process of causes a physical or chemical change to the product being manufactured.

Rhonda
Reap-
Curiel,
Director

Mike
Tarantino,
Director

Arkansas has provided the exemption since 1968 and in 2014 went further to provide a partial refund of the purchase of manufacturing equipment and machinery or replacement parts purchased to modify, replace or repair existing equipment if the business uses the direct pay method. Previously the entire piece of equipment would have to be replaced with a new item in its entirety to qualify for the full exemption.

Don
Pierson,
Ex-Officio
Director

Alabama and Mississippi both charge a 1.5% sales tax on manufacturing equipment and machinery. However, Alabama recently revised its incentive offerings under the Made in Alabama brand. They provide for the abatement of the sales tax, along with property taxes, with exception of any tax dedicated to education. Their exemption on property tax is now up to 20 years, which offsets any portion of the 1.5% sales tax not abated under their programs.

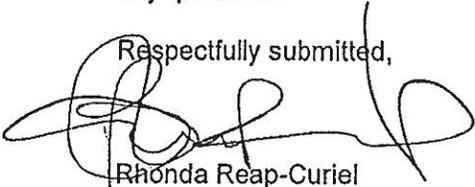
Mississippi also has the ability to exempt the sales tax under their incentive programs. The exemption is based on the location of the facility as well as the amount of capital investment.

For our businesses with facilities in both Louisiana and other states which exempt the sales tax, we would be placed at an uncompetitive advantage.

As businesses decide where to place capital investment today, more emphasis is placed on the cost to do business in a location more than the place, quality of life and quality of workforce. While those are still important factors, companies are looking for long-term sustainability and stability as opposed to short-term immediate solutions to their growth.

Thank you for the opportunity to provide this testimony. Please feel free to contact me should you have any questions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Rhonda Reap-Curiel', written over a horizontal line.

Rhonda Reap-Curiel
Legislative Chair