The negative effects of Inventory tax

- Disincentive to hold and produce inventory, expansion, capital accumulation and growth
- Strong incentive to relocate mobile inventory. Louisiana retailers have little ability to move inventory.
- If inventory is moved by multi-nationals then local tax groups lose.
- It is owed by employers regardless of profits.
- Large inventory businesses, such as retailers, pay a disproportionate share of tax. This tax for these retailers far exceeds income tax.
- Inventory tax is not a broad base tax. It hits only businesses and worse it hits only a narrow range of businesses.
- Inventory tax serves as a disincentive to invest in product that creates a sales tax.
- If inventory tax is passed to consumer the consumer could pay four times—manufacturing stage, finish goods stage, wholesale stage and retail stage.
- Internet warehouses, like Amazon, will not locate in LA so as not to pay inventory tax and they currently don't pay sales tax. Brick and mortar LA retailers will pay inventory tax, regardless of profitability and they will charge customers sales tax making us uncompetitive with Amazon, etc.
- In 1991, inventory tax credit was created, in order to be competitive with the 40 plus states that had no inventory tax. The credit served to create jobs in the distribution of products. Previously, private businesses avoided building distribution centers in LA due to tax. WalMart and others built warehouses in LA.