Baton Rouge Taxes

Broad-based tax structure • New industry exemptions: 'most generous in the South' • Lowest fire insurance rates • Separate industrial area • Nationally-recognized municipal government • Equitable sales tax • Parish-wide school system • Moderate income tax
An analysis of the tax structures in Louisiana and its neighboring states shows that business enterprises are, in most cases, in a more favorable tax climate by being located in the Baton Rouge Area.

From a tax standpoint, here are some of the advantages offered business and industry by Baton Rouge:

- A broad-based structure gives stability to Louisiana's tax picture—an advantage to industry in that few, if any, new taxes will be added in coming years.
- Only one increase in state taxes has occurred during the 14 years since 1948. And voters wisely required a second and third vote of the Legislature to increase an existing tax or put on a new tax.
- "Most generous in the South" is Louisiana's Ten-Year Industrial Tax Exemption program, according to recent studies.
- Separate industrial area by special charter of the City of Baton Rouge is apart from the urban area, meaning that businesses and industries located within it enjoy immunity from all city taxes.
- Low fire insurance rate (Baton Rouge and only 25 other cities in the nation designated "Class 2" by the National Board of Fire Underwriters) is important offsetting factor when considering taxes. The city's excellent fire-fighting facilities and unlimited water supply enable it to offer the lowest fire insurance rate in the state.
- Municipal government—operating under a unique City—Parish form of government—permits orderly growth on a parish-wide basis. Its outstanding charter has gained national recognition and a number of other areas are attempting to copy its form. (Descriptive booklet furnished on request.)
- One school system functions for the entire parish (county) as East Baton Rouge Parish has no divided school districts.
- Homestead exemptions of $2,000 ($5,000 for veterans) are available to homeowner-owners.
- "Good" sales tax in Louisiana allows extremely few exemptions, thus businesses compete on an equal basis.
- Moderate income tax runs from 2 to 6 per cent for individuals and business. Low state, credits and exemptions bring it down considerably from this percentage.

Exclusive of federal grants, almost half of Louisiana's revenues are derived from taxes on natural resources. For example, oil and gas revenues provide about 26 per cent of the state revenue through severance taxes. Thus, a manufacturing enterprise would share in these taxes only to the extent that it owns producing properties or purchases products for its own use. "Stability" is the significant factor shown by an analysis of the Baton Rouge Area tax picture. This is evidenced by the broad-based, well balanced tax structure and the encouraging hand of welcome extended to industry by the people.

In Louisiana, a ten-year tax exemption plan is tangibly and practical the welcome and helping hand which the state extends to new and expanding manufacturing industries—it's among the most generous in the nation.

The Board of the State Department of Commerce and Industry, with the approval of the Governor, may contract with the owner of any proposed new manufacturing establishment for with the owner of any proposed addition, or additions, to plants existing in the state, for the exemption from both state and local ad valorem taxation on new plants or additions to existing firms. These state and local ad valorem exemptions include buildings and machinery.

In addition to the exemptions plan of the state, the City of Baton Rouge welcomes and encourages new industry by making it possible to locate in an area enjoying immunity from all city taxes. By special charter provision, a Baton Rouge Industrial Area has been established separate and apart from the urban area. Business and industry located in the designated industrial area pay only state and parish taxes.

The effect of these exemptions is that a new manufacturing enterprise pays no ad valorem tax on its buildings and machinery during the first 10 years, after which the combined rate (including state, parish and school taxes) is $50.50 per $1000 in the industrial area or $2.50 elsewhere in the state. By policy of the Louisiana Tax Commission and East Baton Rouge Parish, industrial properties receiving the 10-year exemption usually come on the rolls at 38 per cent of original construction cost.

OTHER IMPORTANT EXEMPTIONS

Location on the Baton Rouge area also means other specific exemptions from state, parish and city taxes. These exemptions include:

1. Homestead exemption up to $2,000 ($5,000 for veterans) is available to homeowner-owners.
2. All taxes on household property.
3. Cash, receivables, stocks of corporations, obligations of the state or its political subdivisions, and leases secured by mortgage in excess of $2,000 are taxable.
4. Motor vehicles (Note: Passenger cars and light trucks pay an annual registration fee of $50; moderately higher rates apply for heavier vehicles);
5. Ships and barges domiciled in Louisiana ports and used in overseas trade are taxable.
6. All watercraft using gasoline as fuel, and
7. All religious, charitable and public property.

Incorporation and capital stock tax paid by domestic corporations is based on authorized capital stock of:

1) 1/20 of 1 per cent on the par value of par value shares, and
2) 5/2 cent for each share of no par value shares up to 10,000, and 5/4 cent on each share above 10,000.

In no case may the incorporation tax be less than $10 nor more than $2,500.

STATE

Annual occupational or license tax is required of each person pursuing any trade, business or vocation in Louisiana. This tax is based on annual gross receipts, sales, premiums, fees or commissions.

Title 47, R.S. (1950), Secs. 451 to 465.

Rates vary with the type of business. Exemptions are granted to professional men, banks, manufacturers, farmers, draymen and traveling salesmen.

PARISH AND CITY LICENSES

The City of Baton Rouge imposes an annual license tax on all trades, professions, occupations and callings carried on in the city. The Parish of East Baton Rouge imposes an identical tax.

Either a parish or a city license (depending upon location of business) must be obtained. Classification of occupations and license tax under both laws are the same as set forth in the State Occupational License Tax. Persons paying either license tax are exempt from the other.

STATE

The sales and use tax is based on the rate of 2 per cent on tangible personal property sold at retail or used in this state, and 2 per cent on rentals of tangible personal property, and the furnishing of certain services, such as repairs, lodging, Sec. 301 to 318, laundry, printing, etc.

Tax does not apply to gasoline, steam, water, natural gas, or electric power.

The use of tokens is prohibited; Collector of Revenue has prescribed a bracket schedule for use in collecting the tax. The dealer is allowed 2 per cent of the total tax collected as information for accounting for and remitting the tax.

LOCAL

The Parish of East Baton Rouge imposes a 1 per cent sales and use tax.

The tax applies to the entire city and parish and to the same type of transactions as the state tax, and the same exemptions are allowed. The dealer is allowed 1 per cent of the total tax collected as compensation for accounting for and remitting the tax.
Unemployment compensation

taxes apply to all employers having four or more employees in each of 20 or more weeks, in the current or preceding calendar year.

RATES: Beginning rate of 2.7 per cent of taxable payroll, excluding wages in excess of $3,000 to one individual.

Experience rating goes into effect in approximately three years and contributions can be reduced to a minimum rate of .1 per cent.

Workmen's compensation

is provided for injuries sustained in specified hazardous trades, businesses and occupations and in all others in which the employer and employees voluntarily contract for coverage.

The employer and employees in covered occupations surrender their rights as against each other to any method, form or amount of compensation or damages other than as provided.

The amount of compensation is determined in accordance with a schedule and ranges from $10.00 weekly to $35.00 weekly for varying periods not in excess of 400 weeks.

Employers may obtain workmen's compensation insurance or may self-insure, except that employers not domiciled in Louisiana and not owning at least $25,000 worth of immovable property in the state must furnish security in the form of:

1) Compensation insurance written with carriers authorized to do business in Louisiana, or
2) Proof of financial ability to pay compensation by depositing certain acceptable securities with the State Treasurer.

Workmen's compensation insurance policies are deemed to be subject to the provisions of the law.

A power use tax

is levied on each person using electrical or mechanical power of more than 10 horsepower during the year and who does not procure the power from a person subject to the tax.

RATE: 50 cents per brake horsepower of each prime mover.

Prime movers include steam turbines, water wheels, internal combustion engines and turbines.

This tax does not apply to electric motors, air motors, air hammers, hydraulic mechanisms, etc., operating on gases or liquids which have been mechanically compressed or pumped for the purpose of transmitting energy.

Exemptions are allowed for standby or emergency equipment and for persons engaged in mechanical, agricultural or horticultural pursuit, or in operating sawmills. Self-propelled vehicles—where the primary use of power is for self-propulsion—are also exempt.

Corporation franchise tax

applies equally to domestic and foreign corporations. The rate is $1.50 per $1,000 of capital employed in Louisiana.

Capital employed in Louisiana is determined by multiplying total capital stock, surplus, and borrowed capital by the average of the following two ratios:

1) Ratio of Louisiana property to total;
2) Ratio of Louisiana sales and other revenue to total.

Minimum tax is $10.00. Newly organized domestic corporations and newly qualified foreign corporations pay the minimum tax of $10.00 in the first year of operation.

Income tax

PERSONAL

Rate: 2% on 1st $10,000 of taxable income
4% on next $40,000
6% above $50,000

Personal Exemptions—$2,500 for a single person, $3,000 for husband and wife, $800 for each dependent. Federal income tax is deductible in addition to a 10 per cent optional standard deduction in lieu of other personal deductions. Community property laws govern income and law contains income-splitting provision.

CORPORATIONS

Rate: 4% on net income above $3,000. No graduated rate

Deduction allowed for federal income tax

In the case of a foreign corporation, tax applies only on Louisiana income, determined by direct accounting or by allocation and apportionment. Apportionment on the basis of:

1) Louisiana property to total;
2) Louisiana payroll to total;
3) Louisiana gross sales and other apportionable income to total.

Factual monographs describing other phases of the Baton Rouge Area economy are available upon request.