

## Louisiana Voters Pass Ad Valorem Tax Exemption for Construction Projects

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On October 21, 2017, Louisiana voters resoundingly [voted in favor of a Constitutional Amendment](#) to the Louisiana Constitution ([Act 428 of the 2017 Regular Session of the Louisiana Legislature](#)). The Amendment clarifies a long standing practice that construction materials delivered to a construction site are exempt from *ad valorem* tax during the pendency of the construction project.

More specifically, the Amendment exempts all equipment and materials delivered to a construction site from *ad valorem* tax if the equipment and materials are intended to be incorporated into any tract of land, building, or other construction as a component part under the Louisiana Civil Code. The Amendment includes property that may be deemed a component part once placed on an immovable for its service and improvement.

The Amendment exempts the equipment and materials until the construction project for which the property has been delivered is “complete.” For purposes of the Amendment, complete means that construction is finished to the extent that the project can be used or occupied for its intended purpose. A project is not complete during the inspection, testing, or commissioning stages, as defined by reasonable industry standards.

Taxpayers should take note that the Amendment does not apply to:

- any portion of a construction project that is complete, available for its intended use, or operational on the date the property is assessed;
- for projects constructed in two or more distinct phases, any phase of the construction project that is complete, available for its intended use, or operation on the date the property is assessed; and
- public service properties (public service properties may be exempt from *ad valorem* tax under other provisions of the Louisiana Constitution).

The Amendment is especially important for taxpayers who are constructing large manufacturing projects because it cements a benefit historically enjoyed by these taxpayers. The added level of certainty is particularly welcoming considering the limitations and requirements imposed by [Executive Order No. JBE 2016-16](#) to Louisiana’s Industrial Tax Exemption Program (“ITEP”) (e.g., requirements for creation or retention of jobs, applications for miscellaneous capital additions and tax exemptions for maintenance capital, required environmental capital upgrades, and the elimination of the exemption for replacements of existing machinery).

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