

PAYMENTS IN LIEU OF TAXES

LOCAL DEVELOPMENT AGENCIES

ECONOMIC ADVISORY SERVICES

Informational Brief
March 4, 2026

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March 4, 2026

The Honorable J. Cameron Henry, Jr.,
President of the Senate
The Honorable Phillip R. Devillier,
Speaker of the House of Representatives

Dear Senator Henry and Representative Devillier:

This informational brief provides the results of our review of payment-in-lieu-of-taxes agreements in the state's six most populous parishes. This brief is intended to provide timely information related to an area of interest to the legislature or based on a legislative request. I hope this brief will benefit you in your legislative decision-making process.

We would like to express our appreciation to local economic development agencies and affordable housing agencies for their assistance during this review.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

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PILOT





Informational Brief

Payments in Lieu of Taxes

Local Development Agencies

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Background

Local government entities can use payment-in-lieu-of-taxes (PILOT) agreements as a tool to promote development. A PILOT agreement is effectively a way for local governments to give a developer a reduction in local ad valorem or sales taxes, and in exchange the developer fulfills a public purpose by fostering economic development or providing affordable housing.

Each of the six most populous parishes in the state – Caddo, East Baton Rouge, Jefferson, Lafayette, Orleans, and St. Tammany – have PILOT agreements in effect. Under a PILOT agreement, a public entity becomes the owner of record of a housing development or business facility, which is then leased to a developer. The project, as public property, is exempt from ad valorem tax (also known as property tax). The PILOT is commonly structured as a lease payment paid to the sheriff or tax collector and then allocated to various taxing bodies proportionally based on their share of the ad valorem tax that would have been owed on the property. Sales tax PILOTs are typically accomplished by having the developer purchase building materials using the public entity's status as a tax-exempt entity. Local officials can use these tools to create a tax abatement by designing the PILOT to be less than the taxes that would have been owed if the land and facility were privately owned. Multiple officials from PILOT-granting entities cited these exemptions as essential in inducing developers to make investments that they would not have made but for the favorable tax treatment.

What We Found

The six parishes had an estimated \$29.6 million in net foregone revenue for their taxing authorities in calendar year (CY) 2025 as a result of PILOTs, reflecting gross tax abatements of \$44.3 million net of \$14.7 million in PILOTs that were redistributed to taxing authorities. However, there is a lack of awareness of PILOTs that creates risks for financial reporting. Generally-accepted accounting principles require the disclosure of revenue losses from tax abatements like PILOTs if they are material. Few tax recipient entities impacted by PILOTs reported the amount of revenue foregone in their annual financial report.

Entities That May Grant PILOTs

In the six most populous parishes of the state, we identified three basic local entity types that have active PILOTs: industrial development board (IDB), economic development agency, or public trust. IDBs and public trusts are entities that

parishes and municipalities are generally authorized to approve the creation of under state law.¹ Three of the four public trusts all stated that they require approval of the parish or municipal governing authority in the impacted area. One public trust, the three economic development agencies, and the four IDBs stated that they had the authority to grant a PILOT without further approval from any other entity. Some PILOT-granting entities seek input from other taxing bodies but are not bound to accept the input they receive. None of the PILOTs we identified required approval from all impacted taxing authorities. Exhibit 1 shows the approval requirements for each of the entities we identified.

¹ IDBs are provided for in R.S. 51:1151 et seq., and public trusts are provided for in R.S. 9:2341 et seq.

Exhibit 1 PILOT-Granting Entities and Oversight		
Entity Type and Name	Created or Approved By	External Approval Required
Industrial Development Boards		
City of Shreveport IDB	Municipality (City of Shreveport)	None
Caddo Parish IDB	Parish (Caddo Parish Commission)	None
Lafayette Parish IDB	Parish (Lafayette Consolidated Government)	None
City of New Orleans IDB	Municipality (City of New Orleans)	None
Economic Development Agencies		
Caddo-Bossier Port Commission	Louisiana Legislature (R.S. 34:3158)	None
Jefferson Parish Economic Development Commission (JEDCO)	Louisiana Legislature (R.S. 34:2021)	None
St. Tammany Parish Development District	Louisiana Legislature (R.S. 33:130.401)	None
Public Trusts		
Capital Area Finance Authority	Parish (East Baton Rouge Metropolitan Council)	East Baton Rouge Metropolitan Council
Finance Authority of New Orleans	Municipality (City of New Orleans)	None (consults with City per Cooperative Endeavor Agreement)
Lafayette Public Trust Financing Authority	Municipality (Lafayette Consolidated Government)	Lafayette City Council
Northwest Louisiana Finance Authority	Municipality (City of Shreveport)	Shreveport City Council
Source: Prepared by legislative auditor’s staff based on annual financial reports, interviews with entity officials, and legal research.		

Types of Taxes Abated

All of the PILOTs we reviewed involved ad valorem tax, but only some involved sales tax. The only entities with sales tax abatements were public trusts, namely the Northwest Louisiana Finance Authority, Capital Area Finance Authority (CAFA), Lafayette Public Trust Financing Authority, and Finance Authority of New Orleans. Sales tax PILOTs differed from ad valorem tax PILOTs in that all four of these entities stated that they retained the sales tax PILOT as an administrative fee, rather than distributing the PILOT proportionally to sales tax recipient bodies. Furthermore, while ad valorem PILOTs only impact local taxes, sales tax PILOTs exempt both state and local taxes. Only one entity, CAFA, had active sales tax PILOTs in CY 2025, which abated \$3.7 million in sales taxes and generated

\$1 million in fees for CAFA.² Effective July 1, 2025, no new sales tax PILOT agreements can exempt state sales tax without the approval of the secretaries of the Louisiana Department of Revenue (LDR) and Louisiana Economic Development.³ According to LDR, no such PILOT agreements have been approved since the new statute took effect. PILOTs abating local sales tax only do not require state approval. Exhibit 2 shows estimated PILOT abatements by tax type.

Exhibit 2			
Estimated PILOT-Related Tax Abatements by Type			
Calendar Year 2025			
Entity Type	Sales Tax	Ad Valorem Tax	Total
Economic Development Agencies	\$0	\$15,569,438	\$15,569,438
Industrial Development Boards	0	18,752,915	18,752,915
Public Trusts	3,725,632	6,293,728	10,019,360
Grand Total	\$3,725,632	\$40,616,081	\$44,341,713
<p>Note: Sales tax abatements in this exhibit are based on payments made to PILOT-granting entities during CY 2025. Payments may occur after the exempt purchases were made and the sales taxes would have been recognized as revenue by the impacted government.</p> <p>Source: Prepared by legislative auditor’s staff based on information provided by PILOT-granting entities.</p>			

Summary of PILOTs in Six Most Populous Parishes

All six of the state’s most populous parishes had PILOTs, which in total abated \$44.3 million in taxes, generated \$14.7 million in PILOT revenue for taxing authorities, and resulted in a net reduction of \$29.6 million in tax revenue for CY 2025. There were three PILOT agreements for which the PILOT was for the same amount as the taxes that would have been owed; however, a portion of the PILOT was dedicated to reimbursing the developer for building public infrastructure to support the project.⁴ Exhibit 3 provides summary statistics on PILOT agreements by parish and entity.

² The other three public trusts reported no sales tax PILOT revenues in CY 2025.

³ Act 384 of 2025, codified as R.S. 47:305.7(A)(1)(c).

⁴ These included the City of Shreveport IDB’s Camp Forbing project, JEDCO’s OMC JV West project, and the Lafayette Parish IDB’s Ambassador Town Center project.

Exhibit 3 PILOT Agreements by Parish and Entity Calendar Year 2025				
Parish/Entity	Number of PILOTs	PILOT Payments for Taxing Authorities*	Dollars of Sales and Ad Valorem Taxes Abated	Net Reduction in Tax Revenue
Caddo Parish				
City of Shreveport IDB	1	\$684,385	\$684,385	\$0
Caddo Parish IDB	6	5,119,123	7,383,797	2,264,674
Northwest Louisiana Finance Authority	4	400	393,059	392,659
Caddo-Bossier Port Commission**	6	234,475	1,515,602	1,281,127
East Baton Rouge				
Capital Area Finance Authority	10	377,098	8,104,030	7,726,932
Jefferson				
Jefferson Parish Economic Development Commission (JEDCO)	8	3,027,983	11,335,906	8,307,923
Lafayette				
Lafayette Public Trust Financing Authority**	6	0	32,502	32,502
Lafayette Parish IDB	1	1,859,354	1,859,354	0
Orleans Parish				
City of New Orleans IDB	29	1,976,920	8,825,379	6,848,459
Finance Authority of New Orleans	11	259,404	1,489,769	1,230,365
St. Tammany Parish				
St. Tammany Parish Development District***	17	1,177,102	2,717,930	1,540,828
Total	99	\$14,716,244	\$44,341,713	\$29,625,469
* The amount of PILOT payments in this exhibit does not include fees paid to PILOT-granting entities or sales tax PILOTs, which are not distributed to taxing authorities. ** These entities stated that they do not calculate the amount of tax exempted. The amounts included here are estimates based on ad valorem tax assessments identified by LLA based on the location of the PILOT projects. We were able to estimate tax abatement and PILOT amounts for all but one project. *** PILOT amounts and abatements for one project were not readily available for the St. Tammany Parish Development District because it involved movable property. Source: Prepared by legislative auditor's staff using information from PILOT granting entities, tax collectors, and the Louisiana Tax Commission.				

Financial Reporting Requirements for PILOTs

Based on our review of recent financial statements for 22 major local government entities in the six parishes being reviewed, only two reported the amount of taxes abated through PILOTs in their audited financial statements.⁵ Under generally-accepted accounting principles,⁶ state and local governmental entities are required to disclose tax abatements in the notes to their financial statements if they are material. Immaterial tax abatements are not required to be disclosed. The disclosures should include the names of the tax abatement programs, the type of taxes abated, and the reduction in tax revenues resulting from the abatement for the reporting period on an accrual basis, among other items. Abatements do not have to be listed individually in the disclosure, but the disclosures should separately report the amounts abated by the reporting government and those entered into by other governments. If the local government made other commitments to the developer aside from tax abatements, they must also be disclosed.

Even though most taxing authorities did not report their revenue losses due to PILOTs, this may have been permissible if the amounts involved are immaterial. Materiality is a management decision; the auditor makes an independent, professional determination of materiality, and if the auditor disagrees, they can report a finding or even refuse to issue an unmodified opinion.

However, there is a risk that tax abatements are being underreported because local government entities and their auditors are not always aware of PILOTs. One auditor noted that, while their auditee did provide requested information on tax abatements, the abatement information provided did not include PILOTs. The entity in question did have revenue losses resulting from PILOTs, but did not report these with its other tax abatements in its annual financial report, and there was no corresponding audit finding. Each entity's management and auditor should consider at least the approximate magnitude of revenue foregone as a result of PILOTs before deciding whether the amounts involved are immaterial. In addition, PILOTs should be reevaluated periodically, even if they were immaterial in the past.

⁵ The major local government entities whose financial statements we reviewed include parishes, cities, school boards, and sheriffs with active PILOTs in their taxing district.

⁶ Governmental Accounting Standards Board (GASB) Statement No. 77, which became mandatory at the end of 2015, defines tax abatements as agreements that result in lower taxes for an entity or individual, who in turn promises to do something that promotes economic development or provides other public benefits. According to GASB, "a transaction's substance, not its form or title, is a key factor in determining whether the transaction meets the definition of a tax abatement for the purposes of this Statement."