AN OVERVIEW OF LOUISIANA’S BUSINESS INCENTIVE PROGRAMS

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BUSINESS INCENTIVE PROGRAMS

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What are Business Incentives?

An array of benefits designed to promote new business activity or to encourage business or job retention. Some Business Incentives are statutory, some are discretionary.
PURPOSE OF BUSINESS INCENTIVES

• Business Incentives help businesses decide to locate or expand

• What do businesses consider in deciding where to locate or expand operations?
  – Infrastructure (suitable site, transportation, utilities, etc.)
  – Skilled workforce
  – Access to raw materials
  – Good quality of life
PURPOSE OF BUSINESS INCENTIVES

Does Louisiana need to offer Business Incentives?

• Port of New Orleans + other river and ocean access ports across state
• Numerous railroads
• Multiple utility providers
• 4 interstates
• Amazing quality of life
• LED Workforce training + community college and vocational training options
The Tax Foundation is the nation’s leading independent tax policy nonprofit. Since 1937, it has provided research, insightful analysis, and experts to improve lives through smarter tax policy.

What does the Tax Foundation say about Louisiana?
PURPOSE OF BUSINESS INCENTIVES

In the 2019 State Business Tax Climate Index, Louisiana ranked 44th:

- Corporate Tax Rate: 36
- Individual Tax Rank: 32
- Unemp. Ins. Tax Rank: 4
- Property Tax Rank: 32
- Sales Tax Rate: 50 / 49
“The state is among the worst 10 states in the United States in this survey at number 44. The only southern state ranking worse than Louisiana is Arkansas at 46.”

“With a temporary one percentage-point sales tax increase known as the ‘clean penny’ set to expire, lawmakers chose a partial extension, keeping the rate above where it was when the temporary increase was adopted, but lower than it was last year. While the state rate declined from 5 to 4.45 percent, Louisiana’s combined average state and local sales tax rate remains the second highest in the nation at 9.46 percent, and its exceedingly complex and uncompetitive sales tax structure is still ranked worst in the nation on the sales tax component of the Index.”

Tax Foundation 2019
ENTERPRISE ZONE PROGRAM
ENTREPRISE ZONE PROGRAM

Benefit
Provides up to a one-time $3,500 job tax credit for each certified net new permanent, full-time job and either a state sales/use tax rebate on qualifying expenses or an investment tax credit equal to 1.5 percent of capital

Eligibility (not comprehensive)
• The incentive is open to new or existing Louisiana businesses not involved in gaming, residential development, retail, or food services
• Businesses must create a minimum of five permanent net new full-time jobs or increase their current nationwide workforce by 10 percent
• Baseline calculation is state-wide including affiliates
• Businesses must hire 50 percent of the net new jobs from four targeted groups, including residents of a designated Enterprise Zone, people receiving public assistance, people lacking basic skills, or people unemployable by traditional standards
ENTERPRISE ZONE PROGRAM

2016 1st Special Legislative Session (Act 18)

• Either state sales tax rebate or a 1.5% investment tax credit, limited to $100,000 per net new job created. Benefits are paid out only after the applicant has filed all required documentation and has illustrated compliance.

• A $3,500 job tax credit per net new employee provided the employee was receiving: Supplemental Nutrition Assistance Program (SNAP), Women, Infants, and Children (WIC), Medicaid, unemployment benefits, or any other benefits from a similar public assistance program, as provided for in rule by the Department of Economic Development or if the participating business is located in an Enterprise Zone

• A $1,000 job tax credit for those net new employees not meeting the above requirement

• New direct jobs are positions within the state that are in excess of the median state-wide number of employees of the business, including affiliated, and which did not previously exist in the business enterprise prior to the contract effective date

• No hotels or employment service businesses with NAICS Codes or either 5613 or 721 are eligible to participate in the program
ENTERPRISE ZONE PROGRAM

What are Enterprise Zones?

Enterprise Zones are areas with high unemployment, low income or a high percentage of residents receiving some form of public assistance.

- A business is not required to locate in an Enterprise Zone.
- A business does not have to make a capital investment or spend money to participate in the program, only create permanent net new jobs.
ENTERPRISE ZONE PROGRAM

Targeted Groups for Certification

Residency

• Hiring someone who loves in a Louisiana Enterprise Zone
  – Businesses located in a rural parish and site-location is in an enterprise zone can hire and resident of the parish
  – Businesses located in an economic development zone can hire any resident of the parish

• Visit [www.factfinder2.census.gov](http://www.factfinder2.census.gov) to determine if a business or an employees address is located in an enterprise zone
ENTERPRISE ZONE PROGRAM

Targeted Groups for Certification

Public Assistance

• Hiring someone who received an approved form of public assistance within 6-months of their hire date
• Emergency benefits received as a result of a declared natural disaster are excluded
ENTERPRISE ZONE PROGRAM

Targeted Groups for Certification

Lacking Basic Skills

- Hiring someone who performs below a 9th grade proficiency in reading, writing, or mathematics
  - Contact the local school district in the parish for testing information and assessment; or
  - Some LWC locations; or
  - State Department of Education provides testing guidance
Targeted Groups for Certification

Unemployable by Traditional Standards

• Hiring someone who cannot participate in employment or activities necessary to seek, obtain, and/or retain employment. Unemployable includes, and is limited to the following:
  – Criminal Record, excluding misdemeanors
  – Physically Challenged
    • Employer must make modifications to accommodate employees’ special needs
Eligible Employees

U.S. citizen living or domiciled in Louisiana within 60-days after hire.

- **Full-time**: Hired to work a minimum of 35-hours weekly
ENTERPRISE ZONE PROGRAM
QUALITY JOBS PROGRAM
QUALITY JOBS PROGRAM

Provides a cash rebate to companies creating well-paid jobs and promote economic development.

Benefits

• 4% or 6% rebate on annual gross payroll of new, direct jobs
• Either a state sales and use tax rebate or a 1.5% project facility expense rebate on eligible capital investment, excluding tax exempted items
• Five year contract with an option to renew for an additional five years
QUALITY JOBS PROGRAM

Eligibility

• Bioscience, Manufacturing, Software, Clean Energy Technology, Food Technology, Advanced Materials, Headquarters of Multi-State Businesses, Aircraft, or Oil & Gas Field Service
  or

• At least 50% of total annual sales are to out-of-state and/or to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer, or to the federal government
  or

• The employer is a business that spends fifty percent or more of its time performing services for its out-of-state parent company. These services include but are not limited to legal, marketing, finance, information technology, order management, distribution center operation, or overall operations support
  or

• Employer if located in a parish that is within the lowest 25% of parishes based on per capita income
QUALITY JOBS PROGRAM

The following employers or persons **shall not** be eligible to participate in the program:

- Retail employers identified by NAICS Code Sections 44 and 45
- Business associations and professional organizations identified by NAICS Code 8139
- State and local government enterprises
- Real estate agents, operators and lessors
- Automotive rental and leasing
- Local solid waste disposal, local sewage systems and local water systems businesses
- Employers engaged in the gaming industry identified by NAICS Code sections 713210 and 721120
- Attorneys
- All businesses identified by NAICS Code 5613
QUALITY JOBS PROGRAM

The following employers or persons shall not be eligible to participate in the program:

• Nonprofit organizations, unless the department determines that the new direct jobs created by the organization would have a significant impact on Louisiana.

• Professional service firms are ineligible except for the case in which at least 50% of its services are provided for out-of-state customers or for a multi-state (parent) company.

• Construction companies are ineligible except for the case in which it is the corporate headquarters of a multi-state business or can demonstrate that at least 50% of its sales are to out-of-state customers.

• Medical professionals are ineligible except for those engaged in biomedical or biotechnology, servicing rural hospitals, or those in which at least 50% of its patient base is from out-of-state.
QUALITY JOBS PROGRAM

Jobs and Payroll Requirements for Eligibility

• If an employer employs:
  – 50 or fewer employees state-wide prior to the start date of the contract, an employer must create at least 5 new direct jobs with new direct job annual payroll of at least $225,000
  – 51 or more employees state-wide prior to the start date of the contract, an employer must create at least 15 new direct jobs with new direct job annual payroll of at least $675,000
  – These jobs must be full time, (Full-time employees-working 30 hours or greater per week)

• Wage and Health Care Benefit Requirements
  – The minimum wage requirement for new direct jobs:
    • 4% rebate: $18/hour
    • 6% rebate: $21.66/hour
  – Provide a basic healthcare plan that is in compliance with federally mandated healthcare requirements or, if no federally mandated healthcare requirements exist, shall be determined to have a value of at least one dollar and twenty-five cents per hour
  – Coverage must become effective no later than the first day of the month 90 days after the date of hire
QUALITY JOBS PROGRAM

1. Advance Notification
   Filed prior to project beginning

2. Apply for local benefits

3. Application

4. LED Review

5. LDR/LWC Review

6. Application presented to Board of Commerce & Industry

7. Board Approval

8. Contract

9. File for rebates (LDR)

10. Renewal
INDUSTRIAL TAX EXEMPTION PROGRAM
The Industrial Ad Valorem Tax Exemption Program (ITEP) abates local property (or *ad valorem*) taxes on a manufacturer’s new investment related to the manufacturing site

- ITEP is administered by the State and projects are approved by the Louisiana Board of Commerce and Industry, then by local governing authorities
- ITEP does not impact state tax collections or revenue
- With local approval, provides 80% property tax abatement for an initial term of five years and the option to renew for five additional years at 80% property tax abatement on a manufacturer’s qualifying capital investments
INDUSTRIAL TAX EXEMPTION PROGRAM

Eligibility

• The program is open to new manufacturing establishments or an addition to an existing manufacturing establishment
• Businesses must be classified as a manufacturer or related to the manufacturing project at the project site
• A manufacturer, as identified by the federal government, has a North American Industry Classification System (NACIS) code that begins with 31, 32, or 33. The NAICS is only used as a preliminary qualification criterion. A detailed description of the activities to be considered manufacturing must be provided by the company.
INDUSTRIAL TAX EXEMPTION PROGRAM

Program Changes

Executive Order JBE 2016-26/JBE 2016-73 & 2017/2018 ITEP Rule Changes

• Miscellaneous Capital Additions (applications filed without Advance Notification) no longer allowed
• Must create new jobs or present compelling reason for the retention of existing jobs, and jobs/payroll performance commitments are memorialized in a Cooperative Endeavor Agreement with LED
• Local approval
  – Parish
  – School Board
  – Sheriff
  – Applicable Municipality
• Changes do not apply to applications approved prior to 6/24/2016 or renewal of those applications
• LED is now promulgating new rules that seek to better balance local interests with business interests and to streamline the application process. (LAC Title 13, Part I, Chapter 5)
OTHER PROPERTY TAX STATUTES

• Act No. 328 (H.B. 598) 2018 Regular Session
  – Provides for advance payment of local *ad valorem* taxes and associated tax credits
  – Compare to Senate Bill 346 by Sen. Walsworth
RECENT PROPERTY TAX CASES

TBM-WC Sabine, LLC v. Sabine Parish Board of Review, 2017-1189 (La. App. 3rd Cir. 7/18/18), ___ So.3d ___

New Orleans Riverwalk Marketplace, LLC v. Louisiana Tax Commission, 2017-CA-0968 (La. App. 4th Cir. 4/30/18), ___ So.3d ___

Williams v. Opportunity Homes Limited Partnership, 2017-0955 (La. 3/13/18), 240 So.3d 161

Neeb Service, LLC v. Foster, 2017-0860 (La. App. 1st Cir. 1/29/18), 242 So.3d 586

Acadian Properties Northshore, LLC v. Fitzmorris, 2017-0424 (La. App. 1st Cir. 11/1/17), 234 So.3d 927
DIGITAL INTERACTIVE MEDIA & SOFTWARE DEVELOPMENT
Benefits & Eligibility

- Provides up to a 25% credit on qualified payroll for in-state labor and 18% for qualified production expenditures
- NO annual cap/NO minimum required spend
- Credit can be applied to state income tax liability & state will refund any overages OR applicants can opt for 85% of the value as a rebate anytime during the year
- Expenditures can be captured up to 6 months prior to the date of completed application
- Qualifying products include: Games, Web-based & Mobile Applications, Consumer Software, Entertainment Software, Business & Enterprise Software, etc.
- Eligible Labor: project managers, QA, engineers, programmers, game designers, composers, artists, etc.
ENTERTAINMENT JOB CREATION PROGRAM
(FORMERLY QUALIFIED ENTERTAINMENT COMPANY)
ENTERTAINMENT JOB CREATION PROGRAM
(FORMERLY QUALIFIED ENTERTAINMENT COMPANY)

Benefits & Eligibility

• 15% credit for each new job whose payroll is equal to or greater than $45,000 per year, up to $66,000
• 20% credit for each new job whose payroll is equal to or greater than $66,000 per year, but no greater than $200,000 per year
• Company must create a new of 5 new jobs filled by residents of the state at the company’s approved physical location
• Open for new companies, relocating companies or current companies that wish to expand their workforce
• Up to 5 years with a potential 5 year renewal
• Credit can be applied to state income tax liability OR applicants can opt for 90% of the value as a rebate anytime during the year (net of 88% after 2% transfer fee is paid)
• Any company engaged in the development or distribution of audio, visual, or both audio-visual entertainment products for public consumption, except for telecommunications
MUSIC JOB CREATION PROGRAM
(FORMERLY QUALIFIED MUSIC COMPANY)
Benefits & Eligibility

- 10% credit for each new job whose payroll is equal to or greater than $35,000 per year, up to $66,000
- 15% credit for each new job whose payroll is equal to or greater than $66,000 per year, but no greater than $200,000 per year
- Company must create a new of 3 new jobs filled by residents of the state at the company’s approved physical location
- Open for new companies, relocating companies or current companies that wish to expand their workforce
- Up to 5 years with a potential 5 year renewal
- Credit can be applied to offset up to 50% of company’s state income tax liability
- Any company engaged directly or indirectly in the production, distribution and promotion of music
OTHER ENTERTAINMENT INCENTIVES
OTHER ENTERTAINMENT INCENTIVES
PRODUCTION BASED

Programs

• Motion Picture Production: up to 40% credit
• Live Performance: up to 25%
• Sound Recording: 18% credit
RESTORATION TAX ABATEMENT PROGRAM
RESTORATION TAX ABATEMENT PROGRAM

Provides property tax abatement for the expansion, restoration, improvement, and development of existing commercial structures and owner-occupied residences.
RESTORATION TAX ABATEMENT PROGRAM

Qualifying Locations

• Economic Development District
• Downtown Development District
• Historic District (included properties listed on the National Register of Historic Places)
Eligibility

- Requires local approval
- Contract is valid for five years with an option to renew
- Only improvements to the structure are eligible
- If property taxes have been paid on the improvements the tax abatement is **not** available
- Contracts (remainder of term) may be transferred with local approval
- Owner occupied residences are eligible if improvements are at least 25% of assessed value
RESTORATION TAX ABATEMENT PROGRAM

1. Advance Notification
   Filed prior to project beginning

2. Application

3. Application is reviewed by LED and transmitted to LGA

4. LGA transmits to LED an Approval Resolution

5. Application presented to the Board of Commerce and Industry

6. Contract

7. Affidavit of Final Cost

8. Project Completion Report

9. Renewal
RESEARCH AND DEVELOPMENT PROGRAM
The Research and Development Tax Credit encourages existing businesses with operating facilities in Louisiana to establish or continue research and development activities within the state.
RESEARCH AND DEVELOPMENT PROGRAM

Provided up to a 30% tax credit on qualified research expenditures incurred in Louisiana with no cap or minimum requirements

- Less than 50 employees – 30% tax credit on the increase in LA R&D expenditures
- 50 to 99 employees – 10% tax credit on the purchase in LA R&D expenditures
- 100 or more employees – 5% tax credit on increase in LA R&D expenditures
Eligibility

• The Tax Credit Incentive is open to companies who have incurred research and development expenditures in Louisiana and who meet certain requirement (where listed). Only research and development conducted in Louisiana will qualify for the Tax Credit Incentive.

• In order for credits to be awarded, a taxpayer must claim the expenditures within one year after December 31 of the year in which the expenditure was incurred. (i.e., Tax Year 2017 application deadline is December 31, 2018).
RESEARCH AND DEVELOPMENT PROGRAM

File the federal R&D tax credit (Form 6765) or Receive an SBIR/STTR award

Submit the completed R&D application

Staff reviews the application and submits a recommendation to the LED Review Panel

A decision letter is issued via email notifying the applicant and LDR

LQRE/6765 - R&D tax credit is claimed on a Louisiana Tax Return

OR

2018 SBIR/STTR Tax Credits Credit can be claimed on Louisiana Tax Return or transferred/sold
SMALL BUSINESS LOAN & GUARANTY PROGRAM
SMALL BUSINESS LOAN & GUARANTY PROGRAM

Facilitates capital accessibility for small businesses by providing loan guarantees to banks and other small business lenders.

Benefits

• Guarantees up to 75%
  – Not to exceed $1.5 million
• No application fee
• Guaranty fee may be waived
  – Determined by risk
Benefits to the Business Owner

• Quick turnaround time for guarantee amounts <$500,000
• Banks more willing to lend with a guarantee
• Minimum job requirements
  – Loans $100,000 or less: 1 permanent job; new or retained
  – Loans over $100,000: 2 permanent jobs; new or retained
SMALL BUSINESS LOAN & GUARANTY PROGRAM

Eligibility

• Equity of 15% - 20%
• Collateral value = guarantee amount
• Must be a Louisiana small business
  – Business owner need not be a Louisiana resident
Eligibility use of loan funds but not limited to:

- Revolving Lines of Credit (For accounts receivable & inventory cash flow needs)
- Startups
- Acquisitions
- Expansions
- Fixed asset purchases
- Purchase or construction of building (limited to 51% applicant occupancy)
Ineligible businesses:

• Restaurants (except franchises)
• Bars and Saloons
• Gaming
• Real estate speculation
• Recreational, theme or amusement parks
• Camping facilities
SMALL BUSINESS LOAN & GUARANTY PROGRAM

Lender contacts LED for potential LEDC Guarantee → Application submitted to LEDC for review → Eligible loans presented to LEDC for approval

LED issues Commitment Letter and Guaranty Agreement → Executed closing docs sent to LED → LED monitors compliance of loan covenants
ANGEL INVESTOR TAX CREDIT PROGRAM
ANGEL INVESTOR TAX CREDIT PROGRAM

Benefits and Investment Limits

• Provides for a 25% tax credit on funds invested in a business certified by LED as a Louisiana Entrepreneurial Business (LEB) to claim against Louisiana income or corporate franchise tax liabilities
• $3.6 million annual credit allotment cap
• Investors can invest up to $720,000 per business per year and $1.44 million per business over the life of the program
• Tax credits are divided over a three year period
• Tax credits available in the first year will be deductible from tax liability in the taxpayer’s income tax year that occurs 24 months from the date LED issues the certificate letter
• Tax credits will expire and have no value or effect on Louisiana tax liabilities beginning with the 11th year after the tax year in which it was originally granted
ANGEL INVESTOR TAX CREDIT PROGRAM

LEB Eligibility

- Principal business operations must be in Louisiana, including Louisiana as the primary place of employment
- Louisiana Tax Identification Number
- Business plan
- Employ less than 50 full-time employees
- Create jobs in Louisiana
- More than 50% of sales to be derived from outside of Louisiana
- Have either:
  - Less than $10 million in annual gross sales
  OR
  - Less than $2 million net worth

- Not primarily engaged in:
  - Retail sales,
  - Real estate,
  - Professional services,
  - Gaming or gambling
  - Natural resource extraction or exploration,
  - Financial services including venture capital funds

- Eligible use of investment proceeds include:
  - Capital improvements,
  - Plant equipment,
  - Research & development, and/or
  - Working capital
ANGEL INVESTOR TAX CREDIT PROGRAM

Investor Eligibility

- Must be an accredited investor; defined as:
  - A natural person who has an individual or joint net worth with a spouse exceeding $1 million
  - A natural person who has an individual income exceeding $200,000 or joint income with spouse exceeding $300,000
- Investment in LEB must be at risk and not secured or guaranteed
- Angel investor or investors cannot be the principal owner or owners of the business who operate the business full-time nor can their spouses and relatives within a third degree of consanguinity or affinity
- Investment must be maintained in the LEB for at least 3 years
THANK YOU