

PROPOSED IMPROVEMENTS TO LED-MANAGED TAX INCENTIVE PROGRAMS

Program	Major issues	Proposed solutions and other improvements
Motion Picture Investor Tax Credit	<ul style="list-style-type: none"> Program currently provides substantial incentives for activities with limited economic impact in La. (e.g., credits associated with financing fees or large salaries of star actors who live out of state) 	<ul style="list-style-type: none"> Limit qualifying "above the line" spend to ~\$1 million per person (or entity) per film production project Fully exclude selected items that do not create substantial economic activity in La. (e.g., airfare, finance fees, bond fees, insurance premiums, loan interest) Provide for transferable tax credit registry under LDR Make targeted improvements to recovery/recapture language Make other targeted improvements (e.g., prohibition on certain festival expenditures, limitations on related-party transactions) to align with current program administration and provide greater clarity
Enterprise Zones (EZ)	<ul style="list-style-type: none"> Many projects receive significant incentives despite relatively little job creation (e.g., large capex with low and/or temporary jobs; retail, restaurants, etc. with significant substitution effects) Program no longer aligns with original intent to target incentives in distressed areas 	<ul style="list-style-type: none"> Count full-time jobs only for eligibility and incentive purposes (vs. full-time and part-time today) Increase hiring threshold for targeted groups to 50% of new jobs (vs. 35% today) Update hiring requirements regarding public assistance to mitigate potential abuse Exclude retail businesses with 100+ employees nationally, except for grocery stores and pharmacies that are physically located in an EZ Adjust investment tax credit to 2.5% (vs. 1.5% today) to account for sales tax changes Limit capital expenditure incentives to maximum of \$100,000 per new full-time job Make technical improvements to clean up statutory language
Louisiana Quality Jobs Program (QJ)	<ul style="list-style-type: none"> Capex incentives are statutorily tied to EZ in ways that unreasonably complicate program Program's healthcare benefits requirement will soon be out of line with ACA standards 	<ul style="list-style-type: none"> Modify QJ statute to fully integrate capex incentives (decouple from EZ) Tie QJ healthcare requirements to federal standards for larger businesses and provide appropriate options for smaller businesses Adjust investment tax credit to 2.5% (vs. 1.5% today) to account for sales tax changes
Competitive Projects Payroll Incentive (CPP)	<ul style="list-style-type: none"> Portion of capex incentive is statutorily tied to EZ in ways that complicate program Program's healthcare benefits requirement will soon be out of line with ACA standards 	<ul style="list-style-type: none"> Modify CPP statute to fully integrate capex incentives (decouple from EZ) Tie CPP healthcare requirements to federal standards for larger businesses and provide appropriate options for smaller businesses
Research and Development Tax Credit (R&D)	<ul style="list-style-type: none"> New program structure for smaller businesses creates problematic administrative backlogs by encouraging high volume of ineligible applicants 	<ul style="list-style-type: none"> Re-structure program (akin to pre-2009 approach) to effectively piggy-back on the federal R&D tax credit to ensure eligibility of all applicants, with appropriate flexibility Provide LED pre-certification and post-certification audit authority for all applicants regardless of size
Sound Recording Investor Tax Credit	<ul style="list-style-type: none"> Current program sunsets on Jan 1, 2015 	<ul style="list-style-type: none"> Extend sunset by four years to Jan 1, 2019 Make other targeted improvements to align with current program administration and provide greater clarity

Important note: In addition to these proposed improvements, there also will be legislation to repeal incentive programs with low utilization and to provide a post-reform "delivery mechanism" for incentives that are currently claimed against income taxes.

Other LED-managed tax incentive programs to be retained: Ports of Louisiana Tax Credits, Digital Interactive Media and Software Tax Credit, Industrial Tax Equalization Program, Sound Recording Investor Tax Credit, Technology Commercialization Credit and Jobs Program, Angel Investor Tax Credit, Musical & Theatrical Productions Tax Credit, Retention and Modernization Credit, and Corporate Headquarters Relocation Program.

Overview of LED incentive programs - tax reform considerations

Exemption	Description	FY 2011 claims (TEB value)	% of total value	Current mechanism	Proposed mechanism (and other key changes) under tax reform scenario
Programs to retain					
Motion Picture Investor Tax Credit	Provides a 30% transferable tax credit for qualified motion picture production expenditures and an additional 5% payroll tax credit for in-state labor.	\$174,078,562	49%	Transferable tax credit / 85% buy-back	85% rebate (modified for greater impact)
Enterprise Zones	Provides a one-time \$2,500 per job tax credit and either a 4% sales/use tax rebate on capital expenditures or a 1.5% investment tax credit for qualified expenses.	\$90,902,007	25%	Traditional tax credit (ITC), S&U rebate, and refundable ITC	Rebate (modified for greater impact)
Louisiana Quality Jobs Program	Provides a 5% or 6% cash rebate of annual gross payroll for new, direct jobs for up to 10 years and (via EZ program) either a 4% sales/use tax rebate on capital expenditures or a 1.5% investment tax credit for qualified expenses.	\$47,917,610	13%	Payroll rebate, S&U rebate, and refundable ITC	Rebate (with technical improvements)
Research and Development Tax Credit	Provides up to a 40% tax credit on qualified research expenditures incurred in Louisiana – with no cap and no minimum requirement.	\$27,874,721	8%	Refundable tax credit (transferable for pre-2009 activity)	Rebate (with technical improvements)
Industrial Tax Equalization Program	Eliminates the tax differential through the equalization of the overall taxes between a Louisiana site and a competing site in another state.	\$8,363,915	2%	Exemption	Exemption
Angel Investor Tax Credit Program	Provides a 35% tax credit on investments by accredited investors in qualified Louisiana small businesses.	\$3,497,531	1%	Transferable tax credit (spread over 5 years)	Rebate (spread over 5 years)
Digital Interactive Media and Software Tax Credit	Provides a 35% tax credit for in-state labor, coupled with a 25% credit for eligible production expenses.	\$1,493,988	0%	Refundable tax credit / 85% buy-back	Rebate
Sound Recording Investor Tax Credit	Provides a 25% refundable tax credit for qualified expenditures on state-certified sound recording productions and infrastructure.	\$1,136,708	0%	Refundable tax credit	Rebate (with sunset extension and technical improvements)
Musical & Theatrical Productions Tax Credit	Provides a 25% to 35% tax credit on qualified production or infrastructure development expenses with additional tax credits available for payroll and transportation.	\$568,663	0%	Refundable/one-time transferable tax credit	Rebate
Technology Commercialization Credit Program	Provides a 40% refundable tax credit for companies that invest in the commercialization of Louisiana university technology and a 6% payroll rebate for the creation of new direct jobs.	\$91,849	0%	Refundable tax credit and payroll rebate	Rebate
Retention and Modernization Credit	Provides a refundable tax credit of up to 5% of qualified capital expenditures for existing Louisiana manufacturers making at least \$5 million in qualified capital expenditures.	\$10,846	0%	Refundable tax credit (spread over 5 years)	Rebate (spread over 5 years)
Ports of Louisiana Tax Credits	Promotes investment and use of Louisiana ports by offering tax credits based on (1) five percent per year of total eligible capital costs and (2) \$5 per ton of qualified cargo.	\$2,500	0%	Traditional tax credit (infrastructure piece spread over 20 years)	Rebate (infrastructure piece spread over 20 years)
Competitive Projects Payroll Incentive (CPP)	Provides a rebate valued at up to 15% of new job payroll over ten years associated with competitive projects in certain industries.	N/A	--	Rebate	Rebate (with technical improvements)
Corporate Headquarters Relocation Program	Provides a 25% rebate (over five years) on qualifying facilities and relocation costs associated with competitive corporate headquarters relocation projects.	N/A	--	Rebate	Rebate
Programs to repeal					
Corporate Tax Apportionment Program (CTAP)	Provides single-sales factor apportionment (i.e., pay corporate income/franchise tax only for portion of sales represented by Louisiana customers) to competitive projects.	N/A	--	N/A	Repeal
Exemptions for Manufacturing Estab. / Industry Assistance	Incentivizes retention and expansion of existing manufacturing businesses but is not in current use due to statutory obstacles.	\$2,095,565	1%	TBD	Repeal
Urban Revitalization Tax Incentive Program	Intended to coordinate with the federal HUBZone program, but accessibility was geographically limited and the program has not attracted any applicants.	\$6,740	0%	Traditional tax credit	Repeal
University Research and Development Parks	Provides incentives to businesses located in university-operated R&D parks but has not attracted any applicants.	\$6,053	0%	Exemptions, rebates, and traditional tax credit	Repeal
Green Jobs Industries Credit	Incentivizes growth of green industries but has not been activated due to anticipated federal funding that did not materialize.	***	--	Refundable tax credit	Repeal

*No sunset on live performance production expenditures; there are sunsets on transportation (12/31/12) and infrastructure (1/1/14) expenditures