

## Didier Consultants, Inc

### Louisiana Tax Incentive Programs

### Louisiana Tax Incentive Programs Statutory Programs

- ▶ Job Creation Programs
  - Enterprise Zone Program
  - Quality Job Program
- ▶ Property Tax Abatement
  - Restoration Tax Abatement
  - Industrial Tax Program

### Filing of Advance Notification

- ▶ The first and most important step in participating in the Tax Incentive Programs.
- ▶ Sets the Start Date of Tax Incentive Program
  - Tracking of net new Jobs
  - Assets placed in service
- ▶ After the Advance Notification is filed, the start date can be moved forward, but not backward.
- ▶ The information can be estimates.

### Job Creation Program Requirements

- ▶ **Quality Jobs Program**
  - Offered to specific industries
  - Create a minimum of 5 net new jobs and a payroll of \$250,000/ \$500,000 within 3 years from the start date of contract.
  - Must offer a basic health care program within 90 days of employment and contribute a minimum of \$1.25 an hour toward the cost of the program.
  - Must pay \$14.50 per hour.
- ▶ **Enterprise Zone Program**
  - Offered to all Industries
  - Taxpayer must increase their present State wide workforce by 10% in a 12 month period or
  - Create 5 net new jobs within the first 24 months of the Enterprise Zone Contract
  - Baseline for creating net new jobs is determined by an "Olympic" Average based on the 4 months prior to the start date of the program.
  - 50% of new jobs must meet one of the 4 targeted employee certification groups

## Job Creation Program Benefits for Creation of Jobs

### ▶ **Quality Jobs**

- Annual Payroll rebate of 5–6% for a 10 year period

### ▶ **Enterprise Zone**

- One time Income and Franchise Tax Credit of \$2,500 per each Net Job

## Enterprise Zone /Quality Jobs Investment Benefit

- ▶ Provides for a 30 Month Investment Benefit Period
- ▶ Sales and Use Tax paid or accrued during that period can be included in the Sales and Use Tax Period This includes Sales and Use Tax Paid or Accrued by Taxpayer, Contractors and/or Sub-contractors OR
- ▶ 1.5 % of the value of assets placed in service during the contract period.
- ▶ Potential Parish Sales and Use Tax Rebate

## Parish Participation in Enterprise Zone/Quality Jobs Program

- ▶ Parish by Parish decision as to if and at what rate they will participate in a Local Enterprise zone Program
- ▶ Only local sales tax that are not dedicated to School Boards, Bonds or Debt can be utilized as part of the Parish/Local Rebate
- ▶ Each parish has different requirements necessary to secure the Local/Parish Rebate
- ▶ Parish Sales and Use tax rebate can not be Obtained if the ITC Investment Option is Used.

## Enterprise Zone/Quality Jobs Process

- ▶ Submit Advance Notification Prior to the desired Start Date of the Contract
- ▶ Endorsement Resolution from local governing authority
- ▶ Secure Quality Jobs Contract / Enterprise Zone Front-End Contract (Eligible if Estimated Spending is Over \$100,000,000)
- ▶ Secure Employee Certification/Payroll Rebate verifying that the Requirements of the Program have been satisfied.
- ▶ Work with contractors and subcontractors to secure invoices
- ▶ Create schedules of sales and use tax spent during the 30-month construction period
- ▶ Compare Benefit of the Sales and Use Tax Rebate with the value of the Investment Tax Credit
- ▶ Secure Non Front End Enterprise Zone Contract
- ▶ Request made for the Job and Investment benefit.

### Industrial Tax Exemption/ Miscellaneous Capital Additions Manufacturers Only

- ▶ Abates the local property taxes on a manufactures new investment and annual capitalized additions for a total of a 10 year period,
- ▶ Applies to all improvements to the buildings, machinery, equipment and other property that is part of the manufacturing process.

### Restoration Tax Abatement

- ▶ Available to an Investment made to structures located in a Downtown Economic District, Historical District, and/or Economic Development District.
- ▶ Abatement of Property Tax for New Investment for an initial 5 year period with a renewal potentially available for an additional 5 years.
- ▶ The only Tax Incentive Program which the Local Taxing Authority must approve.

### Louisiana Tax Incentive Programs Discretionary Programs

It is very important to work proactively with the Louisiana Department of Economic Development prior to making announcements concerning expansions in order to insure obtaining Discretionary Programs.

### Examples of Discretionary Tax Incentive Programs

- Modernization Tax Program
- Fast Start Training Program
- Performance Based Grants

## **Modernization Tax Program Eligibility**

- ▶ To qualify for the program, a company must meet one of the following criteria:
  - Modernization helps improve entire facility's or specific unit's efficiency by greater than 10%
- ▶ **OR**
  - The facility is in competition for capital expenditures within a company's established, competitive capital expenditure budget plan

## **Modernization Tax Program Benefit**

Provides a one-time 5% refundable State tax credit on capital expenditures taken over a five-year period (1% per year for five years) for manufacturers making qualified capital investments of at least \$5 million.

## **Modernization Tax Program Other Considerations of the Program**

- ▶ There is a \$10 million annual Statewide cap on the program in credits awarded to projects. Any unused credits can be rolled into the next calendar year.
- ▶ Projects determined to have the highest economic impact by Louisiana Economic Development will be awarded pre-certification credits on a rolling basis.

## **Common Problems Taxpayers Find When Administering the Tax Incentive Program**

- ▶ Being proactive in managing the ability to meet the requirements of the Job Creation Programs.
- ▶ Most taxpayers find it difficult to manage the deadlines and timelines required to meet the requirements of the programs resulting in total loss of benefits.
- ▶ Advance Communication to Contractors, Subcontractors, and vendors.
- ▶ Waiting until the end of the 30 month construction period, to start tracking and obtaining the information required to maximize the program.