DIGEST

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Ellington HB No. 629

Abstract: Establishes the La. Entrepreneurial Assistance and Development Program for tax credits against insurance premium tax for venture capital investors.

Proposed law establishes the La. Entrepreneurial Assistance and Development Program for tax credits against insurance premium tax for venture capital investors who invest in LEAD funds which in turn invest in "eligible businesses". The amount of the credit is equal to 75% of the amount of the investment. The tax credit may not be taken before April 15, 2015, is transferrable, and may be carried forward indefinitely.

Proposed law authorizes the Dept. of Economic Development, hereinafter "department", to administer the program. The department is required to report to the Joint Legislative Committee on the Budget on January 30th and July 30th of each year regarding LEAD funds which have been issued certification or refused certification within the preceding six months. The report shall contain a description of each fund, the amount of its allocation of eligible capital, investors, and tax credits.

Proposed law defines "eligible business" as one with less than 100 full-time employees, at least 80% of which are domiciled in the state or at least 80% of the payroll is paid to employees domiciled in the state. The business shall not be engaged in the following industries: retail sales, real estate development, gaming, natural resource extraction or exploration, insurance, banking, accounting, legal, or medicine. The business shall have a net worth of less than $5 million dollars and a net income of less than $ 15 million.

Proposed law defines "LEAD fund" as a La. partnership, corporation, trust, or limited liability company that is managed by at least two persons who are domiciled in La. and have at least five years' experience in managing venture capital or private equity funds.
Proposed law provides for an application process to be used by a LEAD fund which is seeking to participate in the program and be certified to receive a portion of the $200 million in eligible capital authorized for operation of the program. Proposed law provides the minimum requirements for an application. Further, each applicant that receives an allocation of eligible capital is required to reimburse the department for the cost incurred in administering the program, in an amount not to exceed $15,000 per fund.

Proposed law requires that the department, within 30 days of receipt of a LEAD fund's application, either issue or refuse a certification for the fund. Refusals must include the grounds for the refusal.

Proposed law provides that applications for allocations of eligible capital, and thus, tax credits, will be accepted and approved by the department on a first come first served basis. Procedures are provided for instances where applications are received on the same day, allotments are unused, or the program is oversubscribed.

Proposed law requires that before making an investment in an eligible business, a LEAD fund shall request the opinion of the department as to the eligibility of the business.

Proposed law provides the conditions under which a LEAD fund may retain its certification, which include the investment of certain amounts of its eligible capital over certain periods of time.

Proposed law requires each LEAD fund which receives an allocation of eligible capital to report January 31st of each year to the secretary of the department and the House Committee on Ways and Means and Senate Committee on Revenue and Fiscal Affairs with regard to its investments made in the preceding year.

Proposed law provides the purposes for which, and conditions under which, distributions may be made from a LEAD fund. Monies may be used by a LEAD fund to pay taxes, expenses regarding the formation and operation of the fund, and the payment of management fees equal to 2.5% of the eligible capital in the fund.

Proposed law requires that the state receive 10% of certain distributions from the fund, which amount may increase based on the number of jobs resulting from execution of the LEAD fund's business plan.

Proposed law authorizes the secretary of the department to review the annual report of each LEAD fund and to decertify a LEAD fund which is determined to be noncompliant with law.

Proposed law authorizes the department to make rules in accordance with the Administrative Procedure Act for the implementation and administration of the program.

(Adds R.S. 22:832.1 and R.S. 51:3111-3117)

Summary of Amendments Adopted by House

House Floor Amendments to the engrossed bill.

1. Added requirement that the Dept. of Economic Development report to the Joint Legislative Committee on the Budget each January and July regarding LEAD funds which have been issued certification or refused certification within the preceding six months.

2. Added requirement that each LEAD fund report each January to the House Committee on Ways and Means and Senate Committee on Revenue and Fiscal Affairs

regarding their investments made in the preceding year.

3. Deleted the $7,500 application fee.

4. Added requirement that each applicant that receives an allocation of eligible capital shall be responsible for up to $15,000 of the cost incurred by the Dept. of Economic Development associated with administering the program.