2015 Regular Session

HOUSE BILL NO. 481

BY REPRESENTATIVE JAY MORRIS

TAX CREDITS: Reduces the amount of the refundable investment income tax credit authorized under the enterprise zone program, imposes an annual limit on the total value of tax credits which may be approved, and sunsets the tax credit

AN ACT

To amend and reenact R.S. 51:1787(A)(1)(b), relative to tax credits; to provide with respect to the enterprise zone program; to provide relative to the refundable investment income tax credit for certain capital expenditures; to provide for the amount of the credit; to limit the aggregate value of tax credits which may be authorized in any fiscal year; to add a termination date for the tax credit; to provide for applicability; to provide for effectiveness; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 51:1787(A)(1)(b) is hereby amended and reenacted to read as follows:

§1787. Incentives

A. The board, after consultation with the secretaries of the Department of Economic Development and Department of Revenue, and with the approval of the governor, may enter into contracts not to exceed five years to provide:

(1) For either:

* * *

(b) ~~A~~ On or before December 31, 2019, a refundable investment income tax credit equal to one ~~and one-half~~ percent of the amount of qualified expenditures. For purposes of this Paragraph, the term "qualified expenditures" shall mean amounts

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

classified as capital expenditures for federal income tax purposes plus exclusions from capitalization provided for in Internal Revenue Code Section 263(a)(1)(A) through (L), minus the capitalized cost of land, capitalized leases of land, capitalized interest, capitalized costs of manufacturing machinery and equipment to the extent the capitalized manufacturing machinery and equipment costs are excluded from sales and use tax pursuant to R.S. 47:301(3), and the capitalized cost for the purchase of an existing building. When a taxpayer purchases an existing building and capital expenditures are used to rehabilitate the building, the costs of the rehabilitation only shall be considered qualified expenditures. Additionally, a taxpayer shall be allowed to increase their qualified expenditures to the extent a taxpayer's capitalized basis is properly reduced by claiming a federal credit. A taxpayer earns the investment tax credit in the year in which the project is placed in service, but the taxpayer may not claim the investment tax credit until the Department of Economic Development signs the project completion report or such other time as provided for by rule or regulation. ~~The project completion report for the refundable investment tax credit shall adhere to the same requirements found in Subparagraph (a) for the sales and use tax rebate.~~ <u>Final application for the claiming of a tax credit shall be filed no later than six months after the Department of Economic Development signs a project completion report and sends it to the Department of Revenue, the political subdivision, and the business, or no later than thirty days after the end of the calendar year in the case of customer owned tooling used in a compression molding process. The project completion report shall not be signed until the project is complete and the contract has been approved by the board and the governor. The aggregate value of tax credits which may be approved by the Department of Economic Development through the execution of project completion reports shall not exceed ten million dollars in any fiscal year. Once the limit has been met in any fiscal year, the Department of Economic Development shall suspend the execution of project completion reports until the beginning of the next fiscal year.</u>

* * *

Section 2. The provisions of this Act shall become effective July 1, 2015, and be applicable for any contract entered into on or after July 1, 2015.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 481 Original 2015 Regular Session Jay Morris

Abstract: Relative to the enterprise zone program, reduces the amount of the refundable investment income tax credit from 1.5% to 1% of qualified capital expenditures, limits the annual aggregate value of tax credits to $10 million, and sunsets authority for the tax credit on Jan. 1, 2020.

Present law authorizes the Board of Commerce and Industry, after consultation with the secretaries of the Dept. of Economic Development and Dept. of Revenue, and with the approval of the governor, to enter into contracts with businesses not to exceed five years to provide:

(1) A rebate of all state and local sales and use tax paid by the business for purchases related to material used in the construction of a building, or an addition or improvement to a building, and the use of customer owned tooling in a compression molding process; or

(2) A refundable investment income tax credit equal to 1.5% of the amount of "qualified expenditures" which are certain capital expenditures related to construction or rehabilitation of a building. "Qualified expenditures" does not include the capitalized cost or lease of land, capitalized interest, capitalized costs of manufacturing machinery and equipment to the extent that those costs are excluded from sales and use tax, and the capitalized cost for the purchase of an existing building.

Proposed law retains present law with respect to contracts for the sales and use tax rebate.

Proposed law changes present law authorizing the refundable investment income tax credit by reducing the credit from 1.5% to 1% of "qualified capital expenditures".

Present law provides that a project completion report must be executed by the Dept. of Economic Development in order for the business to claim a tax credit. Further, requires that the application to claim the tax credit shall be made by the business within six months of the department's execution of the project completion report.

Proposed law retains present law and adds a $10 million per fiscal year limit on the aggregate value of tax credits which may be approved by the Dept. of Economic Development by way of execution of project completion reports. Once the limit has been met in any fiscal year, the execution of project completion reports shall be suspended until the beginning of the next fiscal year.

Proposed law changes present law by adding a sunset date of Dec. 31, 2019, for the authorization for refundable investment income tax credits as a benefit under a contract with the Board of Commerce and Industry.

Proposed law is applicable to contracts entered into on or after July 1, 2015.

(Amends R.S. 51:1787(A)(1)(b))