

2015 Regular Session

HOUSE BILL NO. 724

BY REPRESENTATIVE HUNTER

TAX CREDITS: Reduces certain income and corporation franchise tax credits

1 AN ACT

2 To amend and reenact R.S. 25:1226.4(C)(1) and (2) and R.S. 47:34(B)(1), 35(C), 37(C),
3 227, 265, 287.664, 6035(C)(1), 6036(C)(1)(b) and (D)(2)(a)(i), and
4 6037(B)(1)(Introductory Paragraph) and (2)(b), (c), and (d), relative to income and
5 corporate franchise tax credits; to reduce the amount of certain tax credits; to provide
6 for an effective date; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 25:1226.4(C)(1) and (2) are hereby amended and reenacted to read
9 as follows:

10 §1226.4. Tax exemptions and credits

11 * * *

12 C.(1) Whenever the governor finds that a concern satisfies the requirements
13 of this Part and the criteria established by rule, he shall advise the commerce board
14 that it may enter into a contract with such cottage industry for a tax credit of up to
15 ~~one thousand five hundred~~ one thousand two hundred dollars ~~which that~~ may be used
16 against the tax liability for state income and corporation franchise taxes related to the
17 operations of the cottage industry within the development zone.

18 (2) In addition to those tax credits provided for in Paragraph (1) of this
19 Subsection, the board may also enter into contracts with eligible cottage industries
20 for a ~~one thousand five hundred~~ one thousand two hundred dollar tax credit per new

1 employee hired during the taxable year for which the credit is claimed. In order to
 2 qualify for this credit, the applicant must have net new hires of one full-time
 3 employee or two part-time employees. A full-time employee is a person employed
 4 for at least thirty-two hours per week. A part-time employee is a person employed
 5 for at least twenty hours per week. In order to qualify as a new hire for purposes of
 6 this credit, the employee must have been a resident of the heritage area development
 7 zone for at least thirty days prior to employment. The credit may be applied to any
 8 state income tax liability or any state corporate franchise tax liability, but not
 9 liabilities for penalty or interest due or outstanding at the time the credit is generated.
 10 This credit shall be applicable only to a position that did not previously exist in the
 11 business and that is filled by a resident of the development zone who is performing
 12 duties in connection with the operation of the business as a regular, full-time
 13 employee.

14 Section 2. R.S. 47:34(B)(1), 35(C), 37(C), 227, 265, 287.664, 6035(C)(1),
 15 6036(C)(1)(b) and (I)(2)(a)(i), and 6037(B)(1)(Introductory Paragraph) and (2)(b), (c), and
 16 (d) are hereby amended and reenacted to read as follows:

17 §34. Corporation tax credit

18 * * *

19 B.(1) The credit shall be a portion of the state corporate income tax, but not
 20 in excess of ~~fifty~~ forty percent of such tax. Such portion shall be an amount
 21 determined by multiplying the number of new employees, as defined in Subsection
 22 C of this Section, by the following amounts:

23 (a) ~~one hundred~~ eighty dollars per eligible new employee per taxable year.

24 (b) ~~two hundred~~ one hundred sixty dollars per eligible new economically
 25 disadvantaged employee per taxable year.

26 (c) ~~two hundred twenty-five~~ one hundred eighty dollars per new employee
 27 who is a resident of a neighborhood with an unemployment rate of ten percent or
 28 more per taxable year.

29 * * *

1 §35. Neighborhood assistance tax credit

2 * * *

3 C. The division of administration shall grant a tax credit against the state
4 corporate income tax liability. A tax credit of up to ~~seventy~~ fifty-six percent of the
5 actual amount contributed may be allowed for investment in programs approved by
6 the commissioner of administration. Such credit for any corporation shall not exceed
7 ~~two hundred fifty~~ two hundred thousand dollars annually. No tax credit shall be
8 granted to any bank, bank and trust company, insurance company, trust company,
9 national bank, savings association, or building and loan association for activities that
10 are a part of its normal course of business. Any tax credit not used in the period the
11 investment was made may be carried over for the next five succeeding taxable
12 periods until the full credit has been allowed.

13 * * *

14 §37. Tax credit for contributions to educational institutions

15 * * *

16 C. There shall be allowed a credit against the tax liability due under the
17 income tax for donations, contributions, or sales below cost of tangible movable
18 property made to educational institutions in the state of Louisiana. The credit
19 allowed by this Section shall be computed at the rate of ~~forty~~ thirty-two percent of
20 such property's value, as defined herein, or, in the case of a sale below cost, ~~forty~~
21 thirty-two percent of the difference between the price received for the tangible
22 movable property by the taxpayer and the value of the property as defined herein.
23 The credit shall be limited to the total of the tax liability for the taxable year for
24 which it is being claimed and shall be in lieu of the deductions from gross income
25 provided for in R.S. 47:57. The credit shall not be allowed if the taxpayer arbitrarily,
26 capriciously, or unreasonably discriminates against any person because of race,
27 religion, ideas, beliefs, or affiliations.

28 * * *

29 §227. Offset against tax

1 exceeds the income tax that would be due the state of Louisiana in the year of the
2 refund, computed without the credit, then the excess of this credit may be carried
3 over the following two taxable years.

4 * * *

5 §6035. Tax credit for conversion of vehicles to alternative fuel usage

6 * * *

7 C.(1) The credit provided for in Subsection A of this Section shall be
8 allowed against individual or corporate income tax for the taxable period in which
9 the property is purchased and installed, if applicable, and shall be equal to ~~fifty~~ forty
10 percent of the cost of the qualified clean-burning motor vehicle fuel property.

11 * * *

12 §6036. Ports of Louisiana tax credits

13 * * *

14 C. Investor tax credit. (1)

15 * * *

16 (b) The Investor Tax Credit provided for in this Subsection shall be granted
17 by the Department of Economic Development for a qualifying project if the
18 commissioner of administration, after approval of the Joint Legislative Committee
19 on the Budget, and the state bond commission certifies to the secretary of the
20 department that securing the project will result in a significant positive economic
21 benefit to the state. "Significant positive economic benefit" means net positive tax
22 revenue that shall be determined by taking into account direct, indirect, and induced
23 impacts of the project based on a standard economic impact methodology utilized
24 by the commissioner, and the value of the credit, and any other state tax and financial
25 incentives that are used by the department to secure the project. If the commissioner
26 with the approval of the committee so certifies, then the Department of Economic
27 Development may grant a tax credit equal to eighty percent of the total capital costs
28 of such qualifying project to be taken at five percent per tax year or shall grant such
29 other amount of tax credit to be taken at such other percentage which is warranted

1 by the significant positive economic benefit determined by the commissioner, but no
 2 tax credit granted for a qualifying project shall exceed ~~two million five hundred~~
 3 ~~thousand~~ two million dollars per tax year. However, the total amount of tax credits
 4 granted on a qualifying project shall not exceed the total cost of the project. In
 5 addition, the investor tax credits granted by the department to any recipient pursuant
 6 to this Section shall be limited to an amount which shall not result in a reduction of
 7 tax liability by all recipients of such credits to exceed ~~six million two hundred fifty~~
 8 ~~thousand~~ five million dollars in any fiscal year.

9 * * *

10 I. Import-export cargo tax credit.

11 * * *

12 (2)(a)(i) For taxable years beginning on and after January 1, 2014, there shall
 13 be allowed a credit against the individual income, corporation income, and
 14 corporation franchise tax liability of a taxpayer who has received certification
 15 pursuant to the provisions of Paragraph (1) of this Subsection; provided that the
 16 credit shall be allowed only against the tax liability of the international business
 17 entity which receives the certification. The amount of the credit shall be equal to the
 18 product of multiplying ~~five dollars~~ four dollars by the taxpayer's number of tons of
 19 qualified cargo for the taxable year which exceeds the pre-certification tonnage or
 20 the product of multiplying the number of dollars by the taxpayer's number of tons of
 21 qualified cargo for the taxable year or portion of a taxable year which exceeds the
 22 pre-certification tonnage which is warranted by the significant positive economic
 23 benefit determined by the commissioner pursuant to Item (ii) of this Subparagraph,
 24 whichever is less. For purposes of this Item, "pre-certification tonnage" means the
 25 number of tons of cargo which meets the definition of qualified cargo for purposes
 26 of this credit, and which was owned by the international business entity receiving the
 27 credit, were imported or exported to or from a manufacturing, fabrication, assembly,
 28 distribution, processing, or warehouse facility located in Louisiana, and which were
 29 so moved by way of an oceangoing vessel berthed at public port facilities in

1 Louisiana during the 2013 calendar year. However, each tax credit granted to a
 2 taxpayer shall be subject to the same limit as is provided for a qualifying project
 3 pursuant to Subparagraph (C)(1)(b) of this Section. In addition, the import-export
 4 cargo tax credits granted by the department to any recipient pursuant to this Section
 5 shall be limited to an amount which shall not result in a reduction of tax liability by
 6 all recipients of such credits to exceed ~~six million two hundred fifty thousand~~ five
 7 million dollars in any fiscal year.

8 * * *

9 §6037. Tax credit for "green job industries"

10 * * *

11 B. Income tax credits for state-certified green projects:

12 (1) There is hereby authorized a base investment tax credit for certified,
 13 verified, and approved expenditures in the state for the construction, repair, or
 14 renovation of a state-certified green project, or for investments made by a company
 15 or a financier in such project which are, in turn, expended for such construction,
 16 repair, or renovation, not to exceed ~~one million~~ eight hundred thousand dollars per
 17 state-certified green project. No more than ~~five million~~ four million dollars in tax
 18 credits under this Section shall be granted for state-certified green projects per year.

19 * * *

20 (2)

21 * * *

22 (b) The base investment credit for state-certified green projects shall be for
 23 the following amounts:

24 (i) If the total base investment is greater than one hundred thousand dollars
 25 and less than or equal to three hundred thousand dollars, a company shall be allowed
 26 a tax credit of ~~ten~~ eight percent of the base investment made by that company.

27 (ii) If the total base investment is greater than three hundred thousand dollars
 28 and less than or equal to one million dollars, a company shall be allowed a tax credit
 29 of ~~twenty~~ sixteen percent of the base investment made by that company.

income tax not to exceed 50% and is determined by the number of new employees multiplied by varying amounts.

Proposed law retains present law but reduces the portion of the tax that the credit is not to exceed from 50% to 40% and reduces the eligible amount per employee as follows:

- (1) From \$100 to \$80 per eligible new employee per taxable year.
- (2) From \$200 to \$160 per eligible new economically disadvantaged employee per taxable year.
- (3) From \$250 to \$180 per new employee who is a resident of a neighborhood with an employment rate of ten percent or more per taxable year.

Present law (R.S. 47:35) provides for an income tax credit against the state corporate income tax liability for any business firm engaged in certain activities of providing neighborhood assistance, job training, education for individuals, community services, or crime prevention in the state. Present law requires the business firm to submit a proposal with certain information relative to the project for approval by the commissioner of administration. A tax credit of up to 70% of the actual amount contributed is authorized, but the tax credit for any corporation shall not exceed \$250,000 annually.

Proposed law retains present law but reduces the amount of the credit from 70% to 56% and reduces the maximum credit amount from \$250,000 to \$200,000.

Present law (R.S. 47:37) provides for an income tax credit against a taxpayer's tax liability for contributions, donations, or selling below cost tangible movable property to a public educational institution for the purposes of research, research training, or direct education of students in the state. The credit allowed is 40% of the property's value, or in the case of sale below cost, 40% of the difference between the price received and the value of the property.

Proposed law retains present law but reduces the allowable credit from 40% to 32% of either the property value or the difference between the price received and the value of the property.

Present law (R.S. 47:227) provides for an offset for every insurance company against any tax incurred for taxes on premiums.

Proposed law retains present law but reduces the amount of the offset from 100% of any tax incurred to 80% of the taxes incurred on premiums.

Present law (R.S. 47:265 and 287.664) provides for an income tax credit for utility companies against Louisiana income tax for amounts the utility company may have refunded to a customer pursuant to an order of the court or regulatory agency as a result of the denial of a proposed rate increase. The credit may be taken in lieu of a deduction from gross income if the deduction would result in a net loss. The credit is equal to the amount of the income tax increase had the amounts refunded been included in the gross income.

Proposed law retains present law but reduces the amount of the credit from 100% of the amount of the income tax increase to 80% of the income tax increase.

Present law (R.S. 47:6035) provides for an income tax credit for qualified clean-burning motor vehicle fuel property purchased and installed on certain motor vehicles. The amount of the credit is equal to 50% of the cost of the qualified clean-burning motor vehicle fuel property.

Proposed law retains present law but reduces the amount of the credit from 50% to 40%.

Present law (R.S. 47:6036) provides for an income and corporate franchise tax credit for the total capital costs of a project sponsored or undertaken by a public port and investing companies that have a capital cost of at least \$5 million dollars and at which the predominant trade or business activity conducted will constitute industrial, warehousing, or port and harbor operations and cargo handling, including any port or port and harbor activity. The amount of the investor tax credit is equal to the total amount of capital costs of the project which shall be taken at 5% per tax year. The amount of the import-export cargo tax credit is equal to the product of multiplying \$5 by the taxpayer's number of tons of qualified cargo for the taxable year that exceeds the precertification tonnage.

Proposed law retains present law but reduces the amount of the investor tax credit from the total amount of capital costs of the project to 80% of the amount of capital costs of the project. Further reduces the amount of the import-export cargo tax credit from \$5 multiplied by the taxpayer's number of tons of qualified cargo to \$4 multiplied by the taxpayer's number of tons of qualified cargo.

Present law (R.S. 47:6037) provides an individual income or corporate income tax credit for approved expenditures in the state for the construction, repair, or renovation of a state-certified green project. Present law further provides a \$1M per project cap and a \$5M annual program cap. The amount of the credit allowed varies.

Proposed law retains present law and reduces the project cap from \$1M to \$800,000 and reduces the annual program cap from \$5M to \$4M.

Present law provides for an additional tax credit of 10% of the base investment expended on payroll for La. residents employed in connection with the construction of a state-certified green project. The additional 10% tax credit for payroll for La. residents does not apply to that amount in excess of \$1M in payroll made to a single La. resident. Further allows an additional 1% of the base investment expended on payroll for La. residents who are graduates of certain La. programs.

Proposed law retains present law but reduces the amount of the credit as follows:

- (1) From 10% to 8% of the investor's base investment if the total base investment is greater than \$100,000 and less than or equal to \$300,000.
- (2) From 20% to 16% of the investor's base investment if the total base investment is greater than \$300,000 and less than or equal to \$1M.
- (3) From 25% to 20% of the investor's base investment if the total base investment is greater than \$1M.

Proposed law further reduces the additional credit for payroll of La. residents from 10% to 8% and reduces the additional credit for payroll for La. residents who are graduates from certain La. programs from 1% to 0.8%.

Effective July 1, 2015.

(Amends R.S. 25:1226.4(C)(1) and (2) and R.S. 47:34(B)(1), 35(C), 37(C), 227, 265, 287.664, 6035(C)(1), 6036(C)(1)(b) and (1)(2)(a)(i), and 6037(B)(1)(Intro. Para.) and (2)(b), (c), and (d))