HLS 15RS-1267 ORIGINAL

2015 Regular Session

HOUSE BILL NO. 727

1

BY REPRESENTATIVE HUNTER

TAX CREDITS: Reduces certain income and corporation franchise tax credits

AN ACT

2 To amend and reenact R.S. 47:297.9(A), 6004(A)(2)(introductory paragraph), 6005(C)(1) 3 and (D)(1), 6006(D)(5), 6006.1(E)(3), and 6007(C)(1)(c)(introductory paragraph) 4 and (d) and R.S. 51:1924(B)(1) and (2), 2354(A) and (B), 2399.3(A)(2)(a) and (b), 5 and 3085(B)(1)(a) and to enact R.S. 47:6006(D)(6), 6006.1(E)(4), 6007(C)(1)(c)(iii) 6 and (e), relative to income and corporate franchise tax credits; to reduce the amount 7 of tax credits; to provide for an effective date; and to provide for related matters. 8 Be it enacted by the Legislature of Louisiana: 9 Section 1. R.S. 47:297.9(A), 6004(A)(2)(introductory paragraph), 6005(C)(1) and 10 (D)(1), 6006(D)(5), 6006.1(E)(3), and 6007(C)(1)(c)(introductory paragraph) and (d) are 11 hereby amended and reenacted and R.S. 47:6006(D)(6), 6006.1(E)(4), 6007(C)(1)(c)(iii) and 12 (e) are hereby enacted to read as follows: 13 §297.9. Reduction to tax due; amounts paid by certain military servicemembers and 14 dependents for certain hunting and fishing licenses 15 A. There shall be a credit against individual income tax liability due under 16 this Part for eighty percent of the amounts paid by an active or reserve military 17 servicemember, or the spouse or dependent of such servicemember, for obtaining a 18 Louisiana noncommercial hunting or fishing license for themselves or their spouses 19 and dependents. 20

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1 §6004. Employer credit
2 A.

3 \* \* \*

(2) The credit shall be seven hundred fifty six hundred dollars and shall be allowed against the income tax for the taxable period during which the new employee has completed one year of full-time service with the taxpayer and/or or against the corporation franchise tax for the taxable period following the taxable period during which the new employee has completed one year of full-time service with the taxpayer. Only one tax credit shall be allowed for:

\* \* \*

§6005. Qualified new recycling manufacturing or process equipment and/or and service contracts

\* \* \*

C.(1) A taxpayer who purchases qualified new recycling manufacturing or process equipment and/or or qualified service contracts, or both, as defined in this Section and certified by the secretary of the Department of Environmental Quality to be used or performed exclusively in this state shall be entitled to a credit against any income and corporation franchise taxes imposed by the state in an amount equal to twenty sixteen percent of the cost of the new recycling manufacturing or process equipment and/or or qualified service contract, or both, less the amount of any other tax credits received for the purchase of such equipment and/or or contract, or both.

D.(1) The amount of the credit claimed in the taxable period for which

certification of equipment is received, and the amount of credit claimed therefor in each taxable period thereafter, shall not exceed twenty percent of the amount of the total credit allowable. In no case shall the credit claimed exceed fifty percent of the tax liability which would be otherwise due for that taxable period. Any unused credit for a taxable year in which a credit is allowed may be carried forward to subsequent years until the credit is exhausted. Total credits certified by the secretary

1	of the Department of Environmental Quality in any calendar year shall not exceed
2	five million four million dollars.
3	* * *
4	§6006. Tax credits for local inventory taxes paid
5	* * *
6	D. The credit provided in this Section shall be allowed as follows:
7	* * *
8	(5) For inventory taxes paid to political subdivisions on or after July 1, 1996,
9	and before June 30, 2015, the credit shall be one hundred percent of such taxes paid.
10	(6) For inventory taxes paid to political subdivisions on or after July 1, 2015,
11	the credit shall be eighty percent of taxes paid.
12	§6006.1. Tax credits for taxes paid with respect to vessels in Outer Continental
13	Shelf Lands Act Waters
14	* * *
15	E. The credit provided in this Section shall be allowed as follows:
16	* * *
17	(3) For ad valorem taxes on Outer Continental Shelf Lands Act Waters
18	vessels paid to political subdivisions on or after July 1, 1996, and before June 30,
19	2015, the credit shall be one hundred percent of such taxes paid.
20	(4) For ad valorem tax on Outer Continental Shelf Lands Act Waters vessels
21	paid to political subdivisions on or after July 1, 2015, the credit shall be eighty
22	percent of taxes paid.
23	§6007. Motion picture investor tax credit
24	* * *
25	C. Investor tax credit; specific productions and projects.
26	(1)
27	* * *

1	(c) For state-certified productions approved by the office and the secretary
2	on or after July 1, 2009, but before July 1, 2015:
3	* * *
4	(iii) The initial certification shall be effective for a period of twelve months
5	prior to and twelve months after the date of initial certification, unless the production
6	has commenced, in which case the initial certification shall be valid until the
7	production is completed.
8	(d) For state-certified productions approved by the office and the secretary
9	on or after July 1, 2015:
0	(i) If the total base investment is greater than three hundred thousand dollars,
1	each investor shall be allowed a tax credit of twenty-four percent of the base
12	investment made by that investor.
13	(ii) To the extent that base investment is expended on payroll for Louisiana
4	residents employed in connection with a state-certified production, each investor
15	shall be allowed an additional tax credit of four percent of such payroll. However,
16	if the payroll to any one person exceeds one million dollars, this additional credit
17	shall exclude any salary for that person that exceeds one million dollars.
18	(iii) The initial certification shall be effective for a period of twelve months
19	prior to and twelve months after the date of initial certification, unless the production
20	has commenced, in which case the initial certification shall be valid until the
21	production is completed.
22	(d) (e) Motion picture investor tax credits associated with a state-certified
23	production shall never exceed the total base investment in that production.
24	* * *
25	Section 2. R.S. 51:1924(B)(1) and (2), 2354(A) and (B), 2399.3(A)(2)(a) and (b),
26	and 3085(B)(1)(a) are hereby amended and reenacted to read as follows:
27	§1924. Income tax credit or premium tax reduction
28	* * *

1	B.(1) The income tax credit shall be calculated by the commissioner as
2	thirty-five twenty-eight percent of the person's cash investment in the certified
3	capital of a certified Louisiana capital company.
4	(2) The total income tax credits granted in any calendar year shall not result
5	in an additional reduction of total income tax revenues of greater than two million
6	one million six hundred thousand dollars.
7	* * *
8	§2354. Technology commercialization credit; amount; duration; forfeit
9	A. Except as provided in Subsection B of this Section, the taxpayer may earn
10	and apply for and, if qualified, be granted a refundable tax credit which may be
11	applied to any income or corporation franchise tax liability owed to the state by the
12	taxpayer seeking to claim the credit, equal in value to forty thirty-two percent of the
13	amount of money invested by the taxpayer applicant in commercialization costs for
14	one business location meeting the requirements of R.S. 51:2353(C)(1) and (2) as
15	certified by the Department of Economic Development.
16	B. A tax credit granted pursuant to this Part shall expire and have no value
17	or effect on tax liability beginning with the twenty-first tax year after the tax year in
18	which it was originally earned, applied for, and granted. An applicant that meets the
19	requirements of R.S. 51:2353 and is approved by the Department of Economic
20	Development may receive a refundable tax credit based on new jobs for the period
21	of time approved which shall be equal to six four percent multiplied by the gross
22	payroll of new direct jobs meeting the requirements of R.S. 51:2353(C)(3) and (4)
23	as certified by the Department of Economic Development.
24	* * *
25	§2399.3. Modernization tax credit
26	A.
27	* * *
28	(2)(a) The credits approved by the department shall be granted at the rate of
29	five four percent of the amount of qualified expenditures incurred by the employer

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1	for modernization with the credit divided in equal portions for five years, subject to
2	the limitations provided for in other Paragraphs of this Subsection.
3	(b) The total amount of modernization tax credits granted by the Department
4	of Economic Development in any calendar year shall not exceed ten eight million
5	dollars irrespective of the year in which claimed. The department shall by rule
6	establish the method of allocating available tax credits to applicants, including but
7	not limited to a first come, first served system, reservation of tax credits for a
8	specified time period, or other method which the department, in its discretion, may
9	find beneficial to the program. In the event that the total amount of credits granted
10	in any calendar year is less than ten eight million dollars, any residual amount of
11	unused credits shall carry forward for use in subsequent years and may be granted
12	in addition to the ten eight million dollar limit for each year.
13	* * *
14	§3085. Tax credit
15	* * *
16	B.(1)(a) The tax credit shall be calculated by the commissioner as seventy-
17	five sixty percent of the person's investment for the purposes of earning tax credits.
18	* * *

## **DIGEST**

Section 3. This Act shall become effective on July 1, 2015.

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 727 Original

19

2015 Regular Session

Hunter

**Abstract:** Reduces certain income and corporation franchise income tax credits by 20%.

<u>Present law</u> (R.S. 47:297.9) provides for an individual income tax credit for the amount paid by an active or reserve military service member for a La. noncommercial hunting or fishing license.

<u>Proposed law</u> retains <u>present law</u> but reduces the amount of the credit  $\underline{\text{from}}$  100% of the amount of the license  $\underline{\text{to}}$  80%.

<u>Present law</u> (R.S. 47:6004) provides for an income and corporation franchise tax credit for the employment of each person and participant of Family Independence Work Program in

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

a newly created full-time job. The amount of the credit is \$750 and is allowed for the taxable period during which the new employee has completed one year of full-time service with the taxpayer or against the corporation franchise tax for the taxable period following the taxable period during which the new employee has completed one year of full-time service with the taxpayer.

Proposed law retains present law but reduces the amount of the credit from \$750 to \$600.

<u>Present law</u> (R.S. 47:6005) provides an income tax or corporation franchise tax credit for taxpayers who purchase qualified new recycling manufacturing or process equipment or qualified service contracts to be used or performed exclusively in the state. The amount of the credit is 20% of the cost of the equipment or service contract less the amount of any other tax credit received for the purchase of the equipment or contract. Further provides an annual program cap of \$5 million.

<u>Proposed law retains present law</u> but reduces the amount of the credit <u>from 20% to 16%</u> and reduces the annual program cap <u>from \$5 million to \$4 million</u>.

<u>Present law</u> (R.S. 47:6006) provides for an income or corporation franchise tax credit for ad valorem taxes paid to political subdivisions on inventory held by manufacturers, distributors, and retailers and on natural gas held, used, or consumed in providing natural gas storage services or operating natural gas storage facilities. The amount of the credit is equal to 100% of the inventory taxes paid to the political subdivision.

<u>Proposed law</u> retains <u>present law</u> but reduces the amount of the credit <u>from</u> 100% of ad valorem taxes paid to 80%.

<u>Present law</u> (R.S. 47:6006.1) provides for an income or corporation franchise tax credit for ad valorem taxes paid without protest to political subdivisions on vessels in Outer Continental Shelf Lands Act Waters. The amount of the credit is equal to 100% of the ad valorem taxes paid to the political subdivision.

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

<u>Present law</u> (R.S. 47:6007) provides for an income tax credit for La. taxpayers for investment in state-certified productions earned at the time expenditures are made by a motion picture production company in a state-certified production. The amount of the credit is equal to 30% of the base investment made by the investor if the total base investment is more than \$300,000. Additionally provides for a credit equal to 5% of base investment expended on payroll for La. residents employed in connection with a state-certified production. However, this credit does not apply to the payroll of any one person that exceeds \$1 million dollars.

<u>Proposed law retains present law</u> but reduces the amount of the credit <u>from 30%</u> of the investor's base investment <u>to 24%</u> and reduces the credit for payroll for La. residents <u>from 5% to 4%</u>.

<u>Present law</u> (R.S. 51:1924) provides an income tax credit for a taxpayer who invests in the certified capital of a certified La. capital company. The credit is equal to 35% of the taxpayer's cash investment. Further provides that the total credits granted in a calendar year shall not result in an additional reduction of tax revenues of more than \$2 million. Further provides that the total credits granted in a calendar year shall not result in an additional reduction of tax revenues of more than \$2 million.

<u>Proposed law retains present law</u> but reduces the amount of the credit <u>from 35% to 28%</u>, and reduces the amount of credits that cane be granted in a calendar year without additional reduction n revenue from \$2 million to \$1.6 million.

<u>Present law</u> (R.S. 51:2354) provides an income and corporation franchise tax credit for investments by the taxpayer in commercialization costs for certain business locations. The amount of the credit is equal to 40% of the amount of money invested. Further provides a credit for qualified new direct jobs. The credit is equal to 5% multiplied by the gross payroll of the qualified new direct jobs.

<u>Proposed law</u> retains <u>present law</u> but reduces the credit for commercialization costs <u>from</u> 40% of the amount invested <u>to</u> 32% of the amount invested and reduces the amount of the credit for qualified new direct jobs <u>from</u> 5% <u>to</u> 4% multiplied by the gross payroll of the qualified new direct jobs.

<u>Present law</u> (R.S. 51:2399.3) provides for an income or corporation franchise tax credit for amounts of qualified expenditures incurred by an employer for modernization. The amount of the credit is equal to 5% of the amount of qualified expenditures. Further provides an annual program cap of \$10 million.

<u>Proposed law</u> retains <u>present law</u> but reduces the amount of the credit <u>from</u> 5% <u>to</u> 4% and reduces the annual program cap from \$10 million to \$8 million.

Effective July 1, 2015.

(Amends R.S. 47:297.9(A), 6004(A)(2)(intro. para.), 6005(C)(1) and (D)(1), 6006(D)(5), 6006.1(E)(3), and 6007(C)(1)(c)(intro. para.) and (d) and R.S. 51:1924(B)(1) and (2), 2354(A) and (B), 2399.3(A)(2)(a) and (b), and 3085(B)(1)(a); Adds R.S. 47:6006(D)(6), 6006.1(E)(4), 6007(C)(1)(c)(iii) and (e)