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## DIGEST

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HB 749 Original

2015 Regular Session

Burrell

**Abstract:** Requires the House Ways and Means and Senate Revenue and Fiscal Affairs committees to review certain tax credits beginning not later than Sept. 1, 2015, and to make recommendations to either continue or terminate credits. Repeals certain expired or inactive tax credits.

Present law provides for the following income and corporation franchise tax credits:

- (1) R.S. 47:6004 Employer Credit
- (2) R.S. 47:6005 Qualified new recycling manufacturing or process equipment and/or service contracts
- (3) R.S. 47:6006 Tax credits for local inventory taxes paid
- (4) R.S. 47:6006.1 Tax credits for taxes paid with respect to vessels in Outer Continental Shelf Lands Act Waters
- (5) R.S. 47:6007 Motion picture investor tax credit
- (6) R.S. 47:6008 Tax credits for donations made to assist playgrounds in economically depressed areas
- (7) R.S. 47:6009 Louisiana Basic Skills Training Tax Credit
- (8) R.S. 47:6010 Employer tax credit for employee alcohol and substance abuse treatment programs
- (9) R.S. 47:6012 Employer tax credits for donations of materials, equipment, advisors, or instructors
- (10) R.S. 47:6013 Tax credits for donations made to public schools
- (11) R.S. 47:6014 Credit for property taxes paid by certain telephone companies; fund
- (12) R.S. 47:6015 Research and development tax credit

- (13) R.S. 47:6016.1 Louisiana New Markets Jobs Act; premium tax credit
- (14) R.S. 47:6017 Tax credits for certain expenses paid by economic development corporations
- (15) R.S. 47:6018 Tax credits for purchasers from "PIE contractors"
- (16) R.S. 47:6022 Digital interactive media and software tax credit
- (17) R.S. 47:6023 Sound recording investor tax credit
- (18) R.S. 47:6025 Tax credit for Louisiana Citizens Property Insurance Corporation assessment
- (19) R.S. 47:6026 Cane River heritage tax credit
- (20) R.S. 47:6028 Tax credit for certain overpayments
- (21) R.S. 47:6029 Tax credit for conversion or acquisition of trailers which haul sugarcane
- (22) R.S. 47:6030 Solar energy systems tax credit
- (23) R.S. 47:6032 Tax credit for certain milk producers
- (24) R.S. 47:6033 Apprenticeship tax credits
- (25) R.S. 47:6034 Musical and theatrical production income tax credit
- (26) R.S. 47:6035 Tax credit for conversion of vehicles to alternative fuel usage
- (27) R.S. 47:6036 Ports of Louisiana tax credit
- (28) R.S. 47:6037 Tax credit for "green job industries"
- (29) R.S. 47:6104 Child care expense tax credit
- (30) R.S. 47:6105 Child care provider tax credit
- (31) R.S. 47:6106 Credit for child care directors and staff
- (32) R.S. 47:6107 Business-supported child care

Proposed law requires the review of (1) through (7), (9) through (19), (22), (23), (25) through (32), and repeals part of (2) and all of (8), (20), (21) and (24).

**REVIEW OF TAX CREDITS IN PRESENT LAW**

Present law (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 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.

Present law (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 \$5M.

Present law (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.

Present law (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 as certified to the assessor within the calendar year immediately preceding the taxable year of assessment of such vessel. The amount of the credit is equal to 100% of the ad valorem taxes paid to the political subdivision.

Present law (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.

Present law (R.S. 47:6008) provides for an income or corporation franchise tax credit for qualified donations made to qualified playgrounds. The amount of the credit is equal to the lesser of \$1,000 or one-half of the value of the cash, equipment, goods, or services donated.

Present law (R.S. 47:6009) provides for an income or corporation franchise tax credit for a La. business or industry that supports and encourages employee basic skills training by satisfying criteria established in present law and that submit proper and complete applications. The amount of the credit is \$250 per participating employee, with the total of all basic skills training credits not to exceed \$30,000 for any single business or industry enterprise in a particular tax year.

Present law (R.S. 47:6012) provides for an income and corporation franchise tax credit for employers within the state to donate materials, equipment, or instructors to public training providers, secondary and postsecondary vocational-technical schools, apprenticeship program registered with the La.

Workforce Commission, or community colleges to assist in the development of training programs designed to meet industry needs. The amount of the credit is equal to 50% of the value of the donated materials, equipment, or services rendered by the instructor.

Present law (R.S. 47:6013) provides for a corporate income and corporation franchise tax credit for qualified donations made to a public school. The amount of the credit is equal to 40% of the appraised value of the qualified donation.

Present law (R.S. 47:6014) provides for an income and corporation franchise tax credit for ad valorem taxes paid to political subdivisions by a telephone company for the company's public service properties. The amount of the credit is equal to 40% of the aggregate ad valorem taxes paid by the telephone company to the political subdivision.

Present law (R.S. 47:6015) provides for an income and corporation franchise tax credit for taxpayers who employ persons in the state and claims a federal income tax credit for increasing research activities. The credit is allowed at varying amounts.

Present law (R.S. 47:6016.1) provides for the La. New Markets Jobs Act for purposes of a tax credit that may be claimed against insurance premium tax. Eligibility is based on the investment of private capital in a low-income community business in La. The amount of the credit is authorized in varying amounts.

Present law (R.S. 47:6017) provides for an income or corporation franchise tax credit for the filing fee paid to the La. State Bond Commission incurred by an economic development corporation in the preparation and issuance of bonds. The amount of the credit is equal to the amount of the filing fee paid.

Present law (R.S. 47:6018) provides for an income or corporation franchise tax credit for purchasers of specialty apparel items from businesses known as "PIE contractors" that utilize inmate labor in producing items for sale and then pay 30% of the salary paid to such inmates back to the state. The amount of the credit is equal to the sales and use tax paid on the purchase.

Present law (R.S. 47:6022) provides for an income or franchise tax credit for La. taxpayers for investment in state-certified productions for digital interactive media earned at the time expenditures are made on a state-certified production. The amount of the credit is equal to 25% of the base investment made by the investor. Additionally provides for a credit equal to 10% of base investment expended on payroll for La. residents employed in connection with a state-certified production.

Present law (R.S. 47:6023) provides for an income or franchise tax credit for La. taxpayers for investment in state-certified productions for sound recordings earned at the time expenditures are made on a state-certified production. The amount of the credit is equal to 25% of the base investment made by the investor in excess of \$15K, or in excess of \$5K for investors who are La. residents. Additionally provides for a credit equal to 10% of base investment expended on payroll for La. residents employed in connection with a state-certified production. Present law provides an annual program cap of \$3M.

Present law (R.S. 47:6025) provides an income tax credit against La. income tax for the amount of surcharges, market equalization charges, or assessments paid by a taxpayer for the La. Citizens Property Insurance Corporation assessments levied due to Hurricane Katrina and Rita.

Present law (R.S. 47:6026) provides a credit against income or corporation franchise taxes for a heritage-based cottage industry located in the Cane River Heritage Area Development Zone. The credit is provided in an amount up to \$1,500.

Present law (R.S. 47:6030) provides for an income tax credit for the cost of purchase and installation of a wind or solar energy system, or both, by a taxpayer at his La. residence, by the owner of a residential rental apartment project, or by a taxpayer who purchases and installs a system in a residence or a residential rental apartment project located in La. Present law limits one credit per system. The amount of the credit is equal to 50% of the first \$25,000 of the cost of each wind energy system or solar energy system, including installation costs, purchased and installed on or after Jan. 1, 2008.

Present law (R.S. 47:6032) provides for a refundable income and corporation franchise tax credit for a resident taxpayer engaged in the business of producing milk for sale. The amount of the credit is based on the production and sale of milk below the announced production price over a calendar year in accordance with a schedule provided in present law. Present law caps the total aggregate amount of credits for all producers at \$2.5M per calendar year and limits the credit allowed for each producer at varying amounts.

Present law (R.S. 47:6034) provides for an individual or corporate income tax credit for qualified production expenditures on investments in a state-certified musical or theatrical production or infrastructure project. For state-certified higher education musical or theatrical infrastructure projects that receive initial certification prior to January 1, 2018, a base investment credit may be earned for expenditures made in the state on or before January 1, 2022 for the construction, repair, or renovation of a new state-certified higher education musical or theatrical facility infrastructure project. No more than \$10M in tax credits are allowed per project and no more than \$60M is allowed for all state-certified higher education musical or theatrical infrastructure projects. The credit for an investor is granted in varying amounts.

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.

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.

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 credit allowed is at varying amounts.

Present law (R.S. 47:3037) further 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.

Present law (R.S. 47:6104) provides for an individual income tax credit for child care expenses based on the quality rating of the child care facility which the child attends. The amount of the credit is a percentage of a credit provided for in present law and varies depending on the quality rating of the child care facility.

Present law (R.S. 47:6105) provides for a refundable income or corporation franchise tax credit for child care providers. The amount of the credit is equal to an amount based upon the average monthly number of children who either participate in the Child Care Assistance Program or who are foster children in the custody of the Department of Children and Family Services, and who are attending a child care facility or facilities operated by the child care provider, multiplied by an amount that is based upon the quality rating of each child care facility operated by the child care.

Present law (R.S. 47:6106) provides for a refundable individual income tax credit for eligible child care directors and eligible child care staff. The amount of the credit varies based upon the qualifications of the provider.

Present law (R.S. 47:6107) provides for a refundable income tax or corporation franchise tax credit for eligible business child care expenses supported by a business. The amount of the credit shall be based on a percentage of eligible business child care expenses depending upon the quality rating of the child care facility to which the expenses are related or the quality rating of the child care facility the child attends. Present law provides for an additional refundable income or corporation franchise tax for the payment by a business of fees and grants to child care resource and referral agencies not to exceed \$5,000 per tax year.

Proposed law requires the House Committee on Ways and Means to review the credits in present law no later than September 1, 2015, and make a specific recommendation no later than March 1, 2017, to either continue the credits or to terminate the credits.

### **REPEAL OF EXPIRED OR INACTIVE TAX CREDITS**

Present law (R.S. 47:6005(D)(2)) provides for an income tax credit for taxpayers for the purchase of qualified new recycling manufacturing or processing equipment. Further provides a credit of 100% of the purchase price for steelworks and blast furnaces, including coke ovens and rolling mills

that are classified as SIC 312 by the Standard Industrial Classification Code. Limited application to claims made by the taxpayer prior to July 1, 2002.

Present law (R.S. 47:6010) provides an income tax credit for employers who provided certain qualified alcohol or substance abuse treatment programs to their employees.

Present law (R.S. 47:6028) provides an income or corporation franchise tax credit for the amount of any overpayment made by a taxpayer with gross receipts from business of \$500,000 or less as a result of failing to claim any inventory tax credit between tax years 1999 through 2002 for income taxes and 2000 through 2003 for corporation franchise taxes.

Present law (R.S. 47:6029) provides an income or corporation franchise tax for the purchase of an eligible sugarcane trailer to replace an ineligible sugarcane trailer as provided for in present law. The credit is allowed in varying amounts, but there is no credit allowed for costs paid on or after Jan. 1, 2014.

Present law (R.S. 47:6033) provides an individual or corporation income tax or corporation franchise tax credit for employers who employ an eligible apprentice as defined in present law. The amount of the credit is equal to one dollar for each hour of employment of each eligible apprentice and applies to taxable periods ending prior to Jan. 1, 2015.

Proposed law repeals present law.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:6105; Adds R.S. 47:6004(C), 6005(G), 6006(E), 6006.1(G), 6007(G), 6008(D), 6009(F), 6012(F), 6013(D), 6014(F), 6015(K), 6016.1(N), 6017(C), 6018(F), 6022(L), 6023(I), 6025(D), 6026(G), 6030(H), 6032(H), 6034(K), 6035(H), 6036(K), 6037(I), 6104(D), 6106(E), and 6107(C); Repeals R.S. 47:6005(D)(2), 6010, 6028, 6029, and 6033)