

2016 First Extraordinary Session

SENATE BILL NO. 3

BY SENATORS LAFLEUR AND ALARIO

ECONOMIC DEVELOPMENT. Provides relative to enterprise zone requirements, incentives, and effectiveness. (Item #27)(gov sig)

1 AN ACT

2 To amend and reenact R.S. 51:1787(A)(3), (B)(3)(c), and (B)(5) and to enact R.S.  
3 51:1787(A)(1)(c) and (B)(3)(d), relative to incentives for businesses under the  
4 Louisiana Enterprise Zone Act; to provide with respect to the enterprise zone  
5 program; to provide for certain eligibility requirements; to provide for applicability;  
6 to provide for effectiveness; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 51:1787(A)(3), (B)(3)(c), and (B)(5) are hereby amended and  
9 reenacted and R.S. 51:1787(A)(1)(c), and (B)(3)(d) are hereby enacted to read as follows:

10 §1787. Incentives

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

14 (1) For either:

15 \* \* \*

16 **(c)(i) The amount of state sales and use tax rebate or investment income**  
17 **tax credit allowed under this Section shall be limited to one hundred thousand**

1 **dollars of rebate or credit for each net new job created under this Chapter. This**  
2 **limitation shall only apply to businesses participating in the Enterprise Zone**  
3 **Program.**

4 **(ii) A business subject to this limitation shall not receive any sales and**  
5 **use tax rebate or investment income tax credit until it has provided all**  
6 **documentation, including filing of its annual certification report, as required by**  
7 **program rules and has shown proof of the creation of the net new job. Each net**  
8 **new job shall only be counted as new for purposes of earning the one hundred**  
9 **thousand dollars of sales and use tax rebate or investment income tax credit in**  
10 **the year of its creation.**

11 \* \* \*

12 (3) The tax credit provided in Paragraph (2) of this Subsection shall be  
13 applicable only to a position within the state that **is in excess of the median**  
14 **statewide number of employees of the business, including affiliates, that** did not  
15 previously exist in the business enterprise **prior to the contract effective date** and  
16 that is filled by a person who is a citizen of the United States and who is domiciled  
17 in Louisiana, or who is a citizen of the United States and becomes domiciled in  
18 Louisiana within sixty days after his employment in such position, performing duties  
19 in connection with the operation of the business enterprise as a regular, full-time  
20 employee. The total number of credits allowed to a business enterprise for employees  
21 who are citizens of the United States and who become domiciled in Louisiana within  
22 sixty days after employment shall not exceed fifty percent of the total number of  
23 credits allowed to the business enterprise under the contract.

24 B. The board may enter into the contracts provided in Subsection A of this  
25 Section provided that:

26 \* \* \*

27 (3) \* \* \*

28 (c) **Notwithstanding any other provision of law to the contrary, a**  
29 **business which is assigned a North American Industry Classification Code of 23,**

1 **5613, or 721 and whose advance notification is not filed before April 1, 2016,**  
 2 **shall be ineligible to receive benefits pursuant to this Section.**

3 (d) The certifications required by Subparagraph (a) of this Paragraph shall  
 4 be updated annually if the business is to continue receiving the benefits of this  
 5 Chapter.

6 \* \* \*

7 (5)(a) Except as provided in Subparagraph ~~(b)~~(c) of this Paragraph, the  
 8 business creates **either:**

9 (i) a minimum of the lesser of five net new permanent jobs to be in place  
 10 within the first two years of the contract period **as determined by the company's**  
 11 **average annual employment reported under the Louisiana Employment**  
 12 **Security Law,** or

13 (ii) the number of net new jobs equal to a minimum of ten percent of the  
 14 existing employees, minimum of one, within the first year of the contract period **as**  
 15 **determined by the company's average annual employment reported under the**  
 16 **Louisiana Employment Security Law.**

17 (b) **For purposes of subparagraph (a) of this Paragraph, the methodology**  
 18 **for averaging shall be determined by department rule.**

19 (c) A business which has an estimated construction period for its building  
 20 greater than two years may, for good cause shown, obtain an extension of not more  
 21 than two years to comply with the requirements of Subparagraph (a) of this  
 22 Paragraph.

23 ~~(e)~~(d) Provided the business entering the contract provided in Subsection A  
 24 of this Section is a nonprofit organization organized to finance the development and  
 25 construction of buildings and infrastructure to serve a public institution of higher  
 26 education, the new permanent jobs required in Subparagraph ~~(B)~~(6)(a) **(B)(5)(a)** of  
 27 this Section may be created by the public institution of higher education.

28 ~~(d)~~(e) The provisions of this Section shall be applicable to all contracts  
 29 entered into under the provisions of Subsection A after January 1, 2002.

\* \* \*

Section 2. The provisions of this Act shall apply to any new contract for which an advance notification has been filed on or after April 1, 2016 and to the renewal of any existing contract occurring on or after April 1, 2016.

Section 3. This Act shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on the day following such approval.

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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by James Benton.

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DIGEST

SB 3 Engrossed

2016 First Extraordinary Session

LaFleur

Present law, relative to the La. Enterprise Zone Act, provides that the Department of Economic Development and the Department of Revenue, may enter into contracts, with a maximum term of five years, to provide for either of the following:

- (1) The use of customer-owned tooling in a compression molding process.
- (2) Purchases of the material used in the construction of a building, or any addition or improvement thereon, for housing any legitimate business enterprise and machinery and equipment used in that enterprise.

Proposed law retains present law.

Proposed law provides that the amount of state sales and use tax rebate or investment income tax credit allowed will be limited to \$100,000 of rebate or credit for each net new job created under the Louisiana Enterprise Zone Act. Further provides that this limitation will only apply to businesses participating in the enterprise zone.

Proposed law provides that a business subject to this limitation will not receive any sales and use tax rebate or investment tax credit until it has provided all documentation, including filing of its annual certification report, as required by program rules and has shown proof of the creation of the net new job. Each net new job will only be counted as new for purposes of earning the \$100,000 of sales and use tax rebate or investment income tax credit in the year of its creation.

Present law provides that the tax credit provided in present law will be applicable only to a position within the state and that is filled by a person who is a U.S. citizen and who is domiciled in Louisiana, or who is a U.S. citizen and becomes domiciled in Louisiana within 60 days after his employment in such position, performing duties in connection with the operation of the business enterprise as a regular, full-time employee. The total number of credits allowed to a business enterprise for employees who are U.S. citizens and who become domiciled in Louisiana within 60 days after employment will not exceed 50% of the total number of credits allowed to the business enterprise under the contract.

Proposed law retains present law but changes applicability guideline to refer only to a position within the state that is in excess of the median statewide number of employees of the business, including affiliates, that did not previously exist in the business enterprise prior to the contract effective date.

Proposed law provides that a business which is assigned a North American Industry Classification Code of 23, 5613, or 721 and whose advance notification is not filed before April 1, 2016, will be ineligible to receive benefits.

Present law provides that the business creates:

- (1) A minimum of the lesser of five net new permanent jobs to be in place within the first two years of the contract period, or the number of net new jobs equal to a minimum of 10% of the existing employees, minimum of one, within the first year of the contract period.
- (2) The number of net new jobs equal to a minimum of 10% of the existing employees, minimum of one, within the first year of the contract period.

Proposed law retains present law but adds the requirement of using the company's average annual employment reported under the La. Employment Security Law for purposes of determining if the business is in compliance with present law. Further provides that the methodology for averaging will be determined by department rule.

Proposed law will apply to any new contract that an advance notification has been filed on or after April 1, 2016, and to the renewal of any existing contract occurring on or after April 1, 2016.

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

(Amends R.S. 51:1787(A)(3), (B)(3)(c) and (B)(5); adds R.S. 51:1787(A)(1)(c), and (B)(3)(d))

#### Summary of Amendments Adopted by Senate

##### Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Makes corrections to identify the proper North American Industry Classification Code.