DIGEST

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HB 641 Engrossed | 2017 Regular Session | McFarland

Abstract: Establishes the "Louisiana Rural Jobs Act" and allows a premium tax credit for investments made in certain rural businesses. The maximum amount of investment authority is $150M and the maximum amount of investor contributions is capped at $90M for certification and allocation of tax credits.

Present law taxes insurers based on the amount of premiums, known as "premium tax".

Proposed law establishes the "Louisiana Rural Jobs Act" for purposes of a tax credit which may be claimed against insurance premium tax. Eligibility for the credit is based on the investment of private capital in a rural business located in the state.

Proposed law defines "rural business" as a business with fewer than 50 employees, maintains its principal operations in one or more rural areas of the state, and is engaged in a business with a NAICS code as follows:

(1) Sector 11 - Agriculture, Forestry, Fishing, and Hunting

(2) Sector 21 - Mining

(3) Sector 23 - Construction

(4) Sector 31-33 - Manufacturing

(5) Sector 42 - Wholesale trade

(6) Sector 48-49 - Transportation and Warehousing

(7) Sector 54 - Professional, Scientific, and Technical Services, except those related to the legal and accounting professions

(8) Sector 56 - Administrative and Support and Waste Management and Remediation Services

(9) Sector 62 - Health Care and Social Assistance

(10) Sector 81 - Other Services, except Public Administration

Proposed law defines a "rural growth fund" as an entity certified by the Dept. of Revenue as meeting the capitalization, job creation, and revenue impact assessment requirements of the program.

Proposed law defines the types of investments required for tax credit eligibility.

Proposed law authorizes a maximum of $150M of investment authority and $90M of investor contributions for certification and allocation for the purpose of earning tax credits. The department shall begin accepting applications on Oct. 1, 2017.

Proposed law requires that investments eligible for the award of tax credits be certified by the Dept. of Revenue. If an applicant applies for approval as a rural growth fund, the department shall inform the entity within 30 days of application whether the application is certified or denied. In the case of a denial, the entity shall have the right to provide additional information regarding the application within 15 days of receipt of the denial.

Proposed law requires the issuance of investments within 20 days of receiving certification.

Proposed law provides that the amount of the tax credit shall be equal to the investor contribution and shall be allowed to be taken in an amount equal to 1/3 each year beginning with the fifth year through the seventh year of the investment. The total of all such credits taken cannot exceed the taxpayer's state premium tax liability for the tax year for which the credit is claimed; however, unused credits may be carried forward for up to 10 years. The credit can only be transferred or allocated to a related entity that has an insurance premium tax liability at the time the rural growth fund application was originally submitted.

Proposed law authorizes the state to receive a portion of any distribution when a rural growth fund exits the program if the rural growth fund fails to create or retain the number of jobs projected in the application as follows:

(1) If the number of jobs created or retained is less than 60% of what was proposed, the state shall receive 30% of the distribution amount that is in excess of the sum of the amount the equity holder invested plus the amount of the projected increase in the equity holder's federal and state tax liability due to his participation in the rural growth fund.

(2) If the number of jobs created or retained is at least 60%, but not greater than 90%, of what was proposed, the state shall receive 15% of the distribution amount that is in excess of the sum of the amount the equity holder invested plus the amount of the projected increase in the equity holder's federal and state tax liability due to his participation in the rural growth fund.

Proposed law provides for conditions under which the Dept. of Insurance shall recapture tax credits, which include a failure to invest an amount equal to 100% of the purchase price of the investment within 24 months of the issuance of the investment or failure to maintain the investment through year seven.

Proposed law requires reporting by a rural growth fund to the Dept. of Revenue within five days of the second anniversary of the initial credit allowance date, as well as annual reporting with regard to the number of employment positions created and retained as a result of the investments and the average annual salary of the positions.

Proposed law authorizes a rural growth fund to apply to exit the program on or after the seventh anniversary of the closing date.

Proposed law requires the Dept. of Revenue to notify the Dept. of Insurance of the name of any insurance company allocated tax credits, as well as the amount of any credits.

Proposed law authorizes the department to promulgate rules to implement the provisions of proposed law in accordance with the APA.

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

(Adds R.S. 47:6016.2)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Change the department responsible for administering the program from the Dept. of Economic Development to the Dept. of Revenue.

2. Add provisions that allow the state to receive a portion of the distribution at the end of the program if the rural growth investment fails to create or maintain the number of jobs proposed in the application at the time the fund exits the program and provides for the percentage of the distribution to which the state will be entitled.