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

DIGEST

SB 390 Original

2022 Regular Session

White

<u>Proposed law</u> creates the Oil and Gas Industry Employment Incentive Program through which eligible businesses may contract with the Dept. of Economic Development (LED) to receive various rebates based on new jobs, payroll, and certain improvements in existing facilities.

Proposed law provides for definitions, which include:

- (1) "New payroll" means the payment by the business to its employees for new jobs, exclusive of benefits.
- (2) "Qualified business" means a business that the secretary of LED has determined to meet program eligibility requirements, and has executed a contract with LED governing its participation in the program.
- (3) "Qualified expenditures" means amounts expended on an existing building which are generally classified as capital expenditures for federal income tax purposes plus certain exclusions from capitalization. Excluded are capitalized cost or leases of land, interest, machinery and equipment, and costs for the purchase of an existing building. Qualified expenditures may be increased to the extent the qualified business' capitalized basis is properly reduced by claiming a federal credit.

Proposed law provides for eligibility requirements for the program which include:

- (1) The business having or achieving within one year sales of at least 50% of its total sales to out-of-state customers or buyers, to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, to the federal government or any combination thereof; however, the secretary of LED, at his discretion, may include sales of affiliates of the business in determining this requirement.
- (2) The business will primarily engage in drilling oil or gas wells in this state and has a North American Industry Classification System (NAICS) Code of 213111 or engages in support activities for oil and gas operations in this state and has a NAICS Code of 213112.
- (3) The provision of a basic health insurance plan for its employees which is the same coverage as is provided to employees employed in a bona fide executive, administrative, or professional capacity.

<u>Proposed law</u> provides that LED may certify a business as eligible to participate in the program if the project will result in a significant positive economic benefit to the state.

<u>Proposed law</u> authorizes the secretary of LED to enter into a contract with a certified business. Contracts are for five years and may be renewed for an additional five years; however, no contract shall be approved on or after July 1, 2026.

<u>Proposed law</u> provides for requirements of the contract, which include but are not limited to the percentage of new payroll upon which rebate shall be based, the number of new jobs and the amount of new payroll to be maintained for participation, designation of facilities eligible for qualified expenditures, and the rebates to be paid for compliance with the program.

<u>Proposed law</u> authorizes a rebate of up to 10% of the value of the "new payroll" for businesses that participate in the program.

<u>Proposed law</u> authorizes, in addition to the rebate based on new payroll, a rebate up to one and one-half percent of the amount of qualified capital expenditures on the facility designated by LED in the contract.

<u>Proposed law</u> requires the business to apply annually with LED for receipt of the rebates based on its maintenance of contract requirements.

<u>Proposed law</u> requires that upon approval of the application for the annual rebate, the application is forwarded to the Dept. of Revenue for payment. The rebate is made from the current collections of the taxed collected by the Dept. of Revenue.

<u>Proposed law</u> prohibits a business who participates in this program from receiving any other incentive administered by LED for any expenditures for which it has received a rebate pursuant to this program.

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

(Adds R.S. 51:3221)