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

DIGEST

Proposed law makes the changes set forth below with respect to contracts entered into on and after July 1, 2013, which grant any tax credit provided for in the enterprise zone law.

Proposed law prohibits enterprise zone participation in such contracts to retail businesses as defined by DED with more than 100 employees nationwide, including affiliates, prior to the effective date of the contract unless they are a grocery store or pharmacy as defined by DED and are located in an enterprise zone.

Present law authorizes enterprise zone contracts for businesses which certify the following with respect to at least 35% of their employees:

- (1) For a business located in an urban enterprise zone (i.e. over 75,000 population) or (for) a business not located in either an enterprise zone or an economic development zone, the 35% are residents of any enterprise zone in Louisiana.
- (2) For a business located in a rural enterprise zone (i.e. under 75,000 population), or in an economic development zone, or in an enterprise zone in Calcasieu Parish, the 35% are residents of the same parish as the location of the business or residents of any enterprise zone in Louisiana.
- (3) Were receiving some form of public assistance prior to employment.
- (4) Were considered unemployable by traditional standards, or lacking in basic skills.
- (5) Any combination of 3 and 4.

Present law also authorizes agreements for businesses located in enterprise zones or in economic development zones to receive a two-year tax credit for a total of \$2,500 for each FITAP participant who is employed full-time for a period of not less than two years for compensation which will disqualify such person from continued participation in the FITAP program. However, an employee is limited to two years participation under the program. No business can obtain a credit for more than 10 employees in the first year of participation in the program. Businesses are eligible for tax credits for 10 years.

Proposed law consolidates and changes the qualifications above for contracts with enterprise zone tax credits by specifically authorizing such contracts for businesses located in enterprise zones, and authorizing such contracts for businesses not located in an enterprise zone if at least 50% of its new employees:

- (1) Reside in an enterprise zone; or
- (2) Within a 30-day period prior to employment, the employee must be receiving assistance under the FITAP or FARP, or the employee was considered unemployable by traditional standards due to having no prior work history or job training, a felony criminal conviction, a history of being unable to retain employment after gaining it, a disability as defined in 42 USC §12102, or lacks basic skills by virtue of exhibiting below a ninth grade level proficiency in reading, writing or math.

Present law authorizes the Board of Commerce and Industry with the approval of the governor to enter into up to five-year contracts for either:

- (1) The rebate of state sales tax, and of local sales tax if approved by the locals, which is imposed on (a) the use of customer-owned tooling in a compression molding process and (b) purchases of the material used in the construction of a building, or any addition or improvement thereon, for housing any legitimate business enterprise and (c) purchases of machinery and equipment used in that enterprise.
- (2) A refundable tax credit equal to 1.5% of qualified expenditures - basically, capital expenditures for federal income tax purposes excluding land and exempt-from-sales-tax equipment.

Proposed law limits the credit to \$100,000 for each net new job created pursuant to the enterprise zone contract as provided for in the credit below and as may be further provided by rule.

Present law also authorizes either:

- (1) A \$2,500 tax credit per net new employee, including part-time employees employed for at least 20 hours per week for at least six months during the tax year.
- (2) A \$5,000 tax credit for new jobs created by certain aviation or aerospace industries defined by NAICS Code numbers.

Proposed law authorizes the credit only for full-time net new jobs created and eliminates the specific credit for aviation or aerospace industries in (2) above.

Present law requires the business to create five net new permanent jobs within two years or jobs equal to 10% of the existing employees of the business, minimum of one, within the first year, whichever is less.

Proposed law specifies the 10% be of the nationwide employment of the business for contracts with enterprise zone tax credits.

Effective July 1, 2013.

(Amends R.S. 51:1787(A), 1787(A)(2) and (3), (B)(3) and (5)(a), and (G); adds R.S. 51:1787(A)(4))