

~~Section 5 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.~~

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 819 Original

2015 Regular Session

Tim Burns

Abstract: Provides that the total amount of certain tax credits claimed in a tax year against La. income, corporation franchise, and insurance premium taxes shall not reduce the taxpayer's tax liability below 20% of the total tax due before credits; also changes certain tax credits from refundable to nonrefundable and in such cases adds a carry forward provision.

Tax Credits

Corporation and Individual Income Taxes and Corporation Franchise Tax

Present law provides for general administrative provisions governing the claiming of tax credits on income and corporation franchise taxes.

Proposed law retains present law but adds a requirement that the sum of certain tax credits (listed below) against La. income or corporation franchise tax liability shall not reduce any corporation's total income and franchise tax liability below 20% of the total tax due before credits. Any amount of tax credit remaining after application of the limitation provided in proposed law may be carried forward pursuant to the provision of present law establishing the respective tax credit.

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

- (1) R.S. 47:6006, Tax credits for local inventory taxes paid
- (2) R.S. 47:6006.1, Tax credits for taxes paid with respect to vessels in Outer Continental Shelf Lands Act Waters
- (3) R.S. 47:6007, Motion picture investor tax credit
- (4) R.S. 47:6014, Credit for property taxes paid by certain telephone companies
- (5) R.S. 47:6015, Research and development tax credit
- (6) R.S. 47:6019, Rehabilitation of historic structures tax credit (commercial)

- (7) R.S. 47:6030, Solar energy systems tax credit
- (8) R.S. 51:1787, Enterprise zone
- (9) R.S. 51:2451, Quality jobs

Present law (R.S. 47:6006 - Ad valorem taxes on inventories) provides for a refundable 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 taxes paid.

Present law (R.S. 47:6006.1 - Ad valorem taxes on offshore vessels) provides for a refundable 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. The amount of the credit is equal to 100% of the ad valorem taxes paid.

Present law (R.S. 47:6007 - Motion picture investor) provides for a income tax credit for investment in state-certified productions for expenditures 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 certain La. residents employed in connection with a state-certified production.

Present law (R.S. 47:6014 - Ad valorem taxes paid by telephone companies) provides for a refundable 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.

Present law (R.S. 47:6015 - Research and development) provides for a refundable income and corporation franchise tax credit for a taxpayer who employs 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. 47:6019 - Rehabilitation of historic structure) provides for a nonrefundable income or corporation franchise tax credit for the amount of eligible expenses incurred during the rehabilitation of a historic structure located in a downtown development district or a cultural district. The credit is equal to 25% of the eligible expenses and with an annual per taxpayer cap of \$5 million in credits.

Present law (R.S. 47:6030) - Solar energy systems) provides for a refundable income tax credit for the purchase and installation of a solar energy system at a residence in La. The amount of the credit for a system purchased by the owner of the residence for installation at his home is 50% of the first \$25,000 of system costs. The credit for purchase by a third party for installation at a residence through a lease agreement is equal to the 38% of the first \$25,000 of system costs, with further restrictions based on the size of the system.

Present law (R.S. 51:1787 - Enterprise zone, and R.S. 51:2451 Quality jobs) provides for a refundable investment income tax credit for state income or corporate franchise tax liability equal to 1.5% of certain qualified capital expenditures made by a taxpayer. Also provides a nonrefundable tax credit for the creation of new jobs equal to \$2,500 for each net new employee, with a \$5,000 credit available for jobs created in certain specific industries.

Proposed law provides, for all of the tax credits listed above, that the amount of any such tax credits claimed in a tax year against any income or corporation franchise tax shall not reduce the taxpayer's tax liability below 20% of the total tax due before credits, except that the limitation on the solar energy systems tax credit applies only to corporation income tax.

Proposed law changes the following tax credits from refundable to nonrefundable, and authorizes a five year carry forward period.

- (1) R.S. 47:6006, Tax credits for local inventory taxes paid
- (2) R.S. 47:6006.1, Tax credits for taxes paid with respect to vessels in Outer Continental Shelf Lands Act Waters
- (3) R.S. 47:6014, Credit for property taxes paid by certain telephone companies
- (4) R.S. 47:6015, Research and development tax credit
- (5) R.S. 47:6030, Solar energy systems tax credit, for purposes of corporation income tax only
- (6) R.S. 51:1787, Enterprise zone
- (7) R.S. 51:2451, Quality jobs

Tax Credits Insurance Premium Tax

- (1) R.S. 22:832, Insurance investors tax credit
- (2) R.S. 47:6016.1, Louisiana new markets jobs act

Present law (R.S. 22:832 - Insurance investors) authorizes a nonrefundable credit against any insurance premium taxes for insurers who invest a portion of their total admitted assets in La. financial institutions and investment products. The amount of the credit is graduated, with the amount increasing as the percentage of an insurer's assets invested increases, from a 66% credit to a 95% credit. A qualified La. investment includes bank deposits, bonded debt, mortgages, and real estate. Insurance companies also receive a dollar-for-dollar tax credit against corporation income taxes for amounts paid and tax credits earned relative to insurance premium tax.

Present law (R.S. 47:6016.1 - New markets jobs act) provides for a nonrefundable tax credit that may be claimed against insurance premium taxes. 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 based on a certain percentage multiplied by the amount of the qualified investment. The percentage multiplier is based on the credit allowance date. The credit allowance dates are based on the initial date of the qualified investment and each of the six successive anniversary dates of the initial date.

Proposed law retains present law but provides that the amount of any tax credits which may be claimed in a tax year against any insurance premium tax shall not reduce the taxpayer's tax liability below 20% of the total tax due before credits.

Proposed law also changes the insurance investors tax credit by reducing the largest tax credit available under that program from 95% to 80%.

Applicable to all income tax years beginning on and after Jan. 1, 2015, and franchise tax and insurance premium tax years beginning on and after Jan. 1, 2016.

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

(Amends R.S. 22:832(B), R.S. 47:6006(B), 6006.1(C) and (D), 6007(C)(2), 6014(C)(introductory paragraph) and (E)(2), 6015(B)(1) and (2) and (D), 6016.1(C)(2), 6019(A)(3)(a), 6030(E)(1) and (3)(a) and (F), and R.S. 51:1787(A)(1)(b) and (2)(a) and (b); Adds R.S. 47:1675(A)(7); Repeals R.S. 47:6014(D))