
DIGEST

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HB 950 Original

2016 Regular Session

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Abstract: Authorizes a state rebate incentive for certain research and development activities that is payable from current state tax collections.

Present law provides for nonrefundable income or corporation franchise tax credits for certain research and development activities. Specifically, authorizes a tax credit for taxpayers who employ less than 50 persons who claim a federal income tax credit under federal law. The amount of the credit is equal to 40% of the La. qualified research expenses for the taxable year.

Present law authorizes a nonrefundable income or corporation franchise tax credit for a taxpayer who receives a federal Small Business Innovation Research Grant as created and provided for by federal law. The amount of the credit is equal to 40% of the award received during the tax year.

Proposed law retains present law.

Proposed law authorizes the Dept. of Economic Development (DED) to enter into contracts to provide incentive rebates to qualifying entities which meet either of the following:

- (1) The company employs 50 or less employees in the state and is eligible to claim a federal income tax credit for increasing research activities. The amount of the rebate is equal to 30% of the La. qualified research expenses for the taxable year. Proposed law caps the amount of rebates issued at \$5 million per calendar year.
- (2) The company receives a federal Small Business Innovation Research Grant as created and provided for in federal law. The amount of the rebate is equal to 30% of the award received during the tax year. Proposed law caps the amount of rebates issued at \$5 million per calendar year.

Proposed law requires qualifying entities to submit an application to DED by Dec. 31st of the year following the calendar year in which the entity qualified for the incentive rebate. Further provides for information required to be submitted with the application including the applicant's federal income tax return and supporting documentation that shows the amount of the federal research credit for the same taxable year.

Proposed law requires the incentive rebates to be paid from the current collections of the taxes imposed by present law.

Proposed law specifically excludes professional service firms and businesses primarily engaged in custom manufacturing and custom fabricating that do not have a pending or issued U. S. patent directly related to the qualified research expenditures from participating in this incentive program unless specifically invited by the secretary of the department to do so.

Proposed law requires DED to approve rebates on a first-come, first-served basis until the maximum amount of rebates have been issued. Rebate requests received on the same business day shall be treated as received at the same time, and if the aggregate amount of rebate requests received on a single business day exceeds the total amount of available rebates, rebates shall be approved on a pro rata basis. Rebates applied for in any particular year in excess of the amount of rebates authorized for that year shall be treated as having been applied for on the first day of the subsequent year and shall be paid as a priority against the next year's maximum amount of authorized rebates.

Proposed law requires DED to administer the provisions of proposed law including to monitor the implementation and operation of proposed law, conduct a continuing evaluation of the program, assist any company in obtaining the benefits of any incentive or inducement program, and to receive information from the Dept. of Revenue regarding the company, its direct and indirect owners, and the amount of any incentive rebates claimed.

Proposed law prohibits an entity that receives an incentive rebate pursuant to proposed law from qualifying for any other state tax credit established in present law administered by DED for the purpose of research and development for the same calendar year.

Applicable for all taxable years beginning on and after Jan. 1, 2016.

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

(Adds R.S. 47:6361)