

## PROPOSED IMPROVEMENTS TO LED-MANAGED TAX INCENTIVE PROGRAMS

Program	Major issues	Proposed solutions and other improvements
Motion Picture Investor Tax Credit	<ul style="list-style-type: none"> <li>Program currently provides substantial incentives for activities with limited economic impact in La. (e.g., credits associated with financing fees or large salaries of star actors who live out of state)</li> </ul>	<ul style="list-style-type: none"> <li>Limit qualifying “above the line” spend to ~\$1 million per person (or entity) per film production project</li> <li>Fully exclude selected items that do not create substantial economic activity in La. (e.g., airfare, finance fees, bond fees, insurance premiums, loan interest)</li> <li>Provide for transferable tax credit registry under LDR</li> <li>Make targeted improvements to recovery/recapture language</li> <li>Make other targeted improvements (e.g., prohibition on certain festival expenditures, limitations on related-party transactions) to align with current program administration and provide greater clarity</li> </ul>
Enterprise Zones (EZ)	<ul style="list-style-type: none"> <li>Many projects receive significant incentives despite relatively little job creation (e.g., large capex with low and/or temporary jobs; retail, restaurants, etc. with significant substitution effects)</li> <li>Program no longer aligns with original intent to target incentives in distressed areas</li> </ul>	<ul style="list-style-type: none"> <li>Count full-time jobs only for eligibility and incentive purposes (vs. full-time and part-time today)</li> <li>Increase hiring threshold for targeted groups to 50% of new jobs (vs. 35% today)</li> <li>Update hiring requirements regarding public assistance to mitigate potential abuse</li> <li>Exclude retail businesses with 100+ employees nationally, except for grocery stores and pharmacies that are physically located in an EZ</li> <li>Adjust investment tax credit to 2.5% (vs. 1.5% today) to account for sales tax changes</li> <li>Limit capital expenditure incentives to maximum of \$100,000 per new full-time job</li> <li>Make technical improvements to clean up statutory language</li> </ul>
Louisiana Quality Jobs Program (QJ)	<ul style="list-style-type: none"> <li>Capex incentives are statutorily tied to EZ in ways that unreasonably complicate program</li> <li>Program’s healthcare benefits requirement will soon be out of line with ACA standards</li> </ul>	<ul style="list-style-type: none"> <li>Modify QJ statute to fully integrate capex incentives (decouple from EZ)</li> <li>Tie QJ healthcare requirements to federal standards for larger businesses and provide appropriate options for smaller businesses</li> <li>Adjust investment tax credit to 2.5% (vs. 1.5% today) to account for sales tax changes</li> </ul>
Competitive Projects Payroll Incentive (CPPI)	<ul style="list-style-type: none"> <li>Portion of capex incentive is statutorily tied to EZ in ways that complicate program</li> <li>Program’s healthcare benefits requirement will soon be out of line with ACA standards</li> </ul>	<ul style="list-style-type: none"> <li>Modify CPPI statute to fully integrate capex incentives (decouple from EZ)</li> <li>Tie CPPI healthcare requirements to federal standards for larger businesses and provide appropriate options for smaller businesses</li> </ul>
Research and Development Tax Credit (R&D)	<ul style="list-style-type: none"> <li>New program structure for smaller businesses creates problematic administrative backlogs by encouraging high volume of ineligible applicants</li> </ul>	<ul style="list-style-type: none"> <li>Re-structure program (akin to pre-2009 approach) to effectively piggy-back on the federal R&amp;D tax credit to ensure eligibility of all applicants, with appropriate flexibility</li> <li>Provide LED pre-certification and post-certification audit authority for all applicants regardless of size</li> </ul>
Sound Recording Investor Tax Credit	<ul style="list-style-type: none"> <li>Current program sunsets on Jan 1, 2015</li> </ul>	<ul style="list-style-type: none"> <li>Extend sunset by four years to Jan 1, 2019</li> <li>Make other targeted improvements to align with current program administration and provide greater clarity</li> </ul>

Important note: In addition to these proposed improvements, there also will be legislation to repeal incentive programs with low utilization and to provide a post-reform “delivery mechanism” for incentives that are currently claimed against income taxes.

Other LED-managed tax incentive programs to be retained: Ports of Louisiana Tax Credits, Digital Interactive Media and Software Tax Credit, Industrial Tax Equalization Program, Sound Recording Investor Tax Credit, Technology Commercialization Credit and Jobs Program, Angel Investor Tax Credit, Musical & Theatrical Productions Tax Credit, Retention and Modernization Credit, and Corporate Headquarters Relocation Program.