



LED-MANAGED INCENTIVES OVERVIEW

MAY 2016

EXECUTIVE SUMMARY

- LED programs are responsible for creating thousands of jobs, recruiting large capital investments across all eight regions of the state, and spurring industries that would not have previously considered Louisiana as a contender.
- LED-managed incentives are a small portion of the State's overall tax exemption structure, historically, representing around five percent of the total value of exemptions.
- In FY15, the largest 20 exemptions (non-LED and LED) equaled more than 73 percent of the \$8.3B exemption total. The only LED-managed incentive included in the top 20 was the Motion Picture Investor Tax Credit.
- Louisiana's major competitor states have their own suite of economic development incentives that are used to attract new business to the state.
- A number of changes were made to LED-managed incentive programs during the 2015 session and the 2016 special session.

THE VALUE OF LED-MANAGED PROGRAMS IN FY15 EQUALED \$412MM

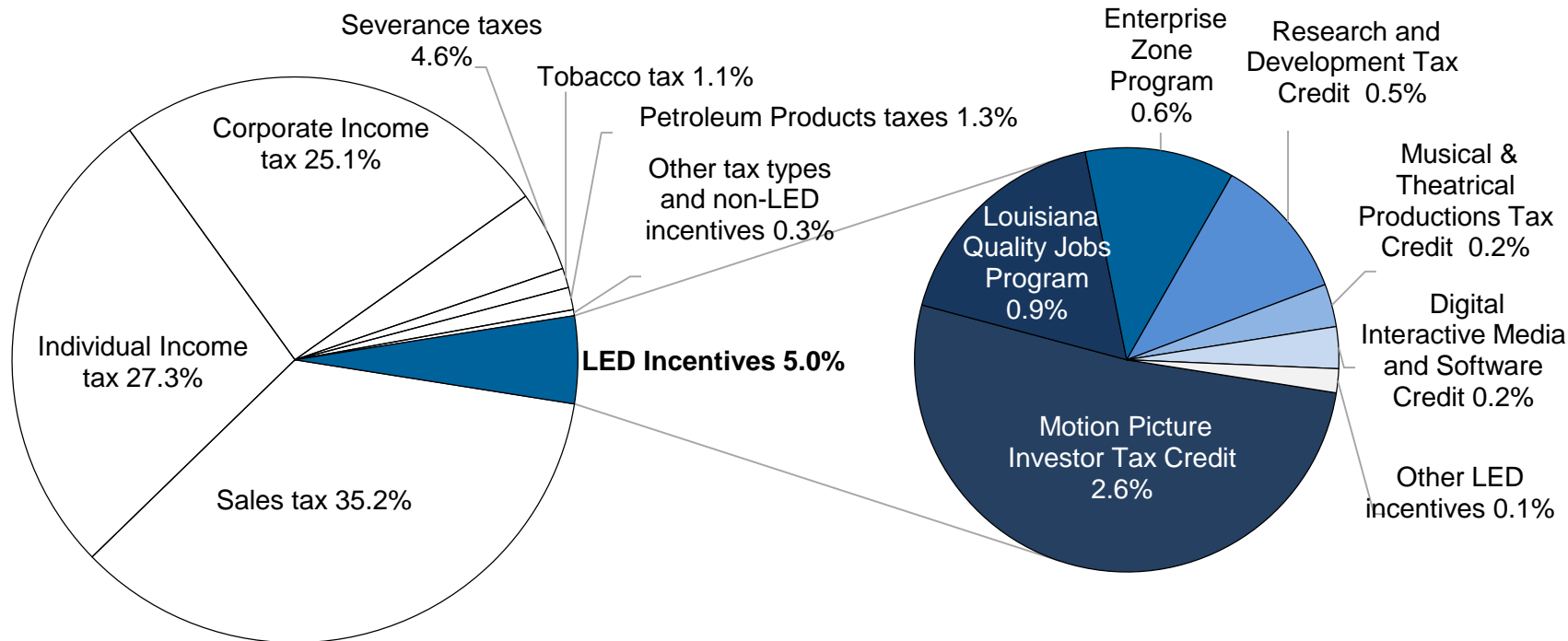
TEB value (\$ millions)

LED-managed incentive program	FY12-13	FY13-14	FY14-15
Motion Picture Investor Tax Credit	148.2	250.38	212.85
Louisiana Quality Jobs Program	51.32	55.78	72.86
Enterprise Zones	50.88	56.47	46.91
Research and Development Tax Credit	24.23	25.9	45.27
Musical & Theatrical Productions Tax Credit	4.95	8.75	13.44
Digital Interactive Media and Software Credit	7.3	15.03	13.11
Industrial Tax Equalization Program	6.07	10.53	2.29
Exempt. for Manufacturing Establishments	2.1	1.37	1.73
Angel Investor Tax Credit Program	1.82	1.56	1.12
Louisiana Motion Picture Incentive Program	3.17	8.17	1.08
Retention and Modernization Credit	0	0.18	0.76
Sound Recording Investor Tax Credit	0.18	0.15	0.27
Technology Commercialization Credit	0.1	0.2	0.18
Competitive Projects Payroll Incentive	-	-	0.05
Mentor-Protégé Tax Credit	0.02	0.02	0.02
Ports of Louisiana Tax Credits	-	-	-
TOTAL	300.35	434.50	411.93

LED MANAGES LESS THAN FIVE PERCENT OF THE EXEMPTIONS REPORTED BY LDR IN FY15

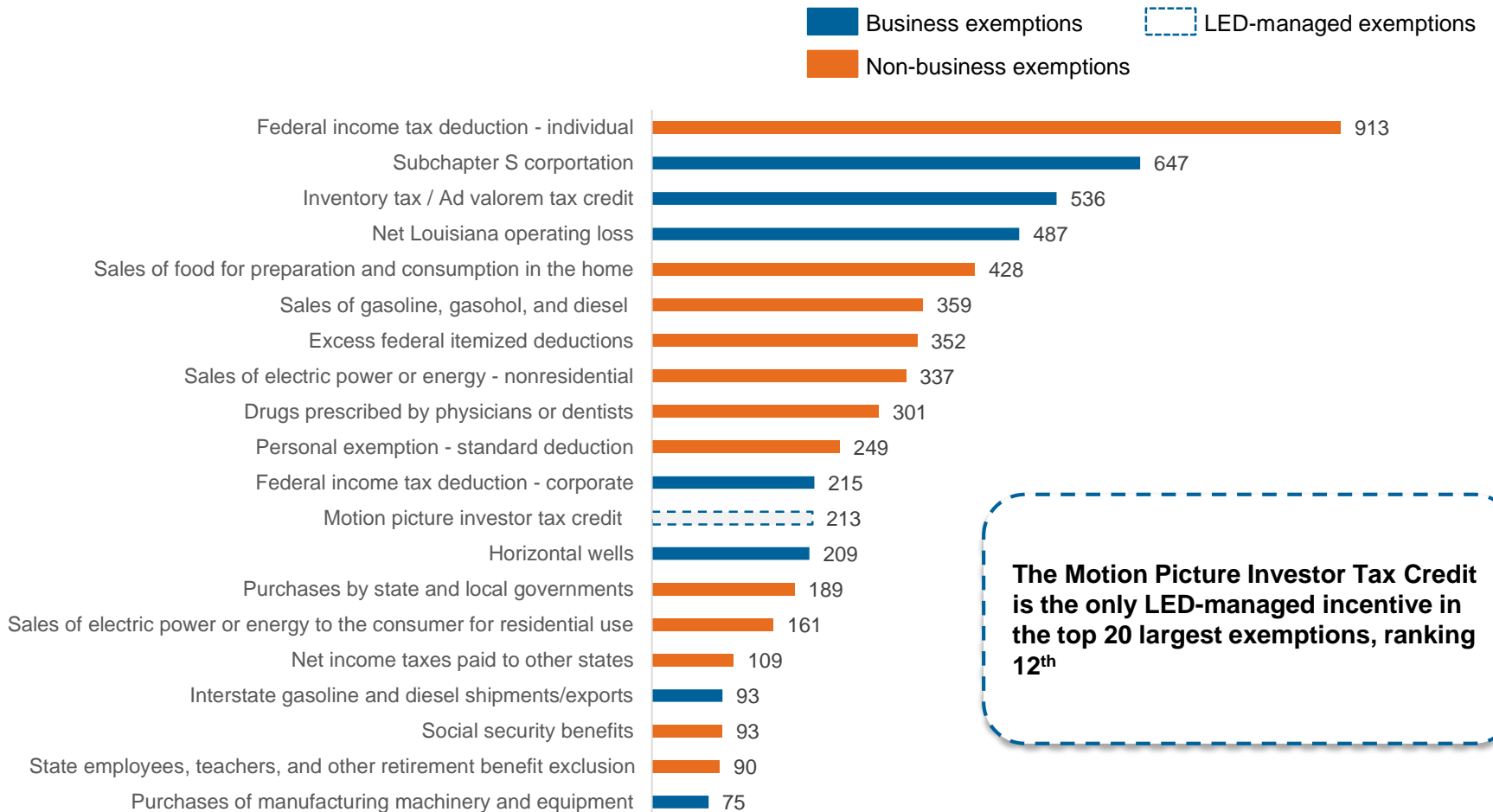
Tax exemptions as percentage of FY15 total
100 percent = \$8.3 billion

LED total = \$412 million



THE 20 LARGEST EXEMPTIONS TOTALED \$6.1 BILLION IN FY15, OR 73 PERCENT OF ALL EXEMPTIONS

Top 20 largest exemptions by dollar amount (\$MM), FY15



LOUISIANA'S NEIGHBORING STATES OFFER SIMILAR BUSINESS INCENTIVES



Alabama



Arkansas



Mississippi



Texas

LED business incentives

LED business incentives	Alabama	Arkansas	Mississippi	Texas
Quality Jobs		✓	✓	
Enterprise Zone	✓		✓	✓
R&D		✓		
Digital Media	✓	✓	✓	✓
Tax Equalization				
Angel		✓		
R&M	✓	✓	✓	
Tech Commercialization				
CPPIP		✓	✓	

LOUISIANA QUALITY JOBS (QJ) PROGRAM OVERVIEW

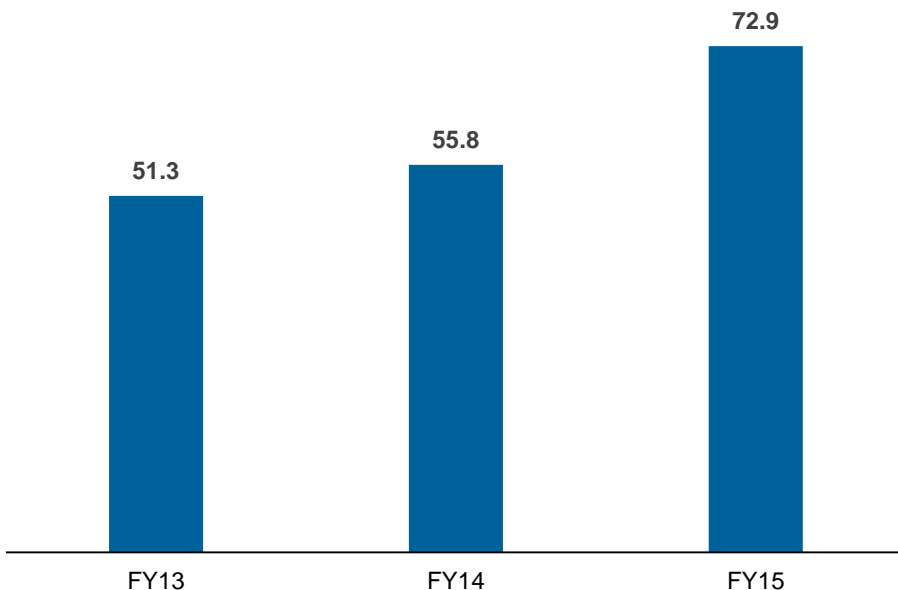
Purpose:

- To encourage businesses in targeted industry sectors, such as biotechnology, software development, and agricultural chemical manufacturing, to locate new or expanding operations in Louisiana
- The jobs incentive program provides a rebate and tax credits to new or existing businesses that create high-paying jobs

Incentive:

- Payroll rebate of either 5% of 80% of gross payroll for net new jobs paying between \$14.50 and \$19.10 or 6% of 80% of gross payroll for net new jobs paying over \$19.10 per hour
- Choice between a sales & use tax credit at 4% of qualifying expenditures or 1.5% investment credit of qualifying capital expenditures

Total exemption value by fiscal year (\$MM)



Estimated impact on Louisiana economy by calendar year

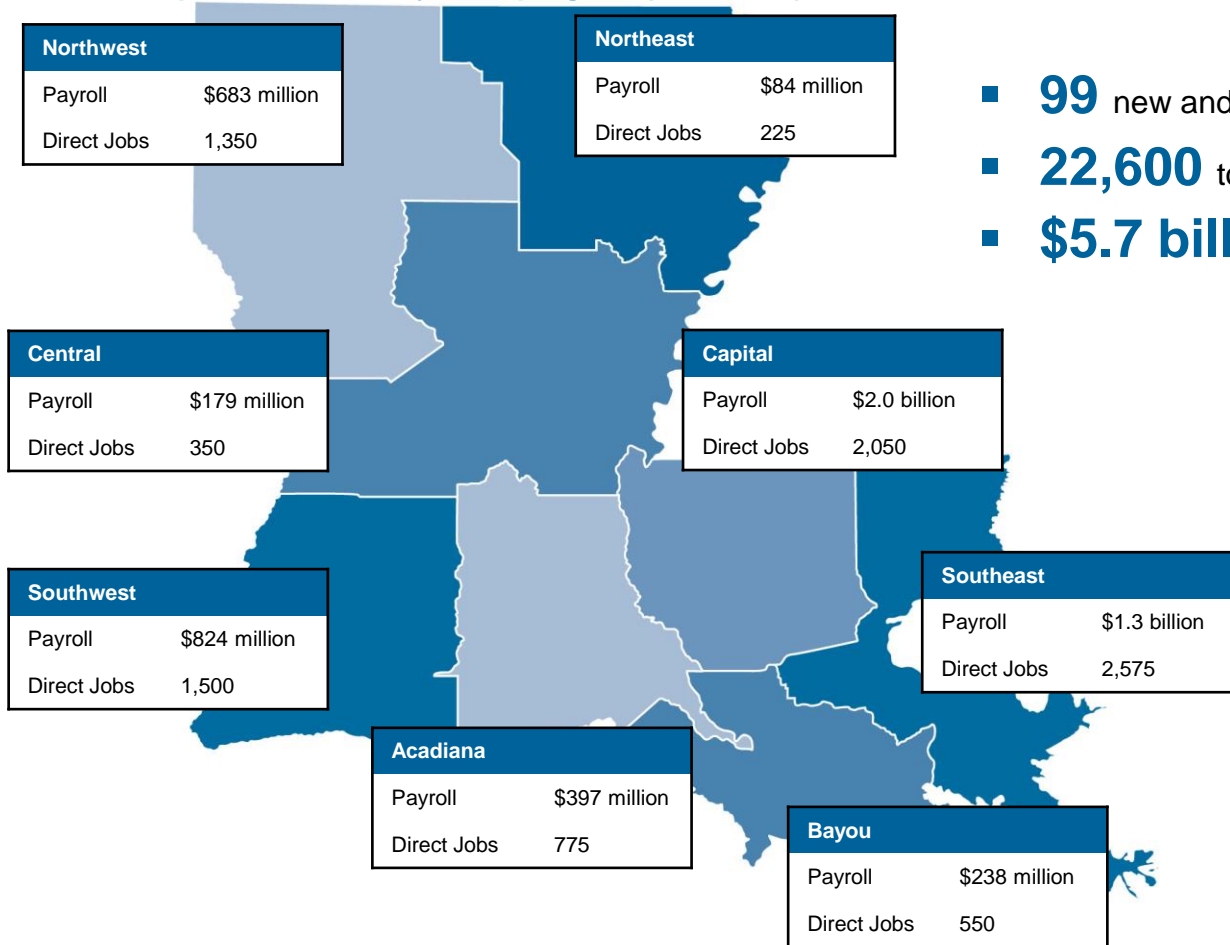
Performance Indicator	2013	2014	2015	Total
Expansions and relocations	23	44	32	99
New direct jobs (est.)	1,357	5,417	2,545	9,319
New payroll (est. \$MM)	681	3,746	1,293	5,720
Construction jobs (est.)	1,712	3,817	7,387	12,916
Investment (est. \$MM)	1,272	10,701	13,900	25,874

Other information:

- Quality Jobs is a statutory incentive program. As a result, performance levels determine the incentive value awarded. All projects are subject to clawback provisions
- The payroll rebate is available for an initial period of five years, with the potential for a one-time, five-year renewal
- Eligible industry sectors include: Bioscience, manufacturing, software, environmental technology, food technology, advanced materials, or oil and gas field services

LOUISIANA QUALITY JOBS (QJ) PROGRAM REGIONAL IMPACT

Impact of the Quality Jobs program (2013-2015)



- **99** new and expansion projects across 34 parishes
- **22,600** total new, direct and indirect jobs created
- **\$5.7 billion** in new payroll

ENTERPRISE ZONE (EZ) PROGRAM OVERVIEW

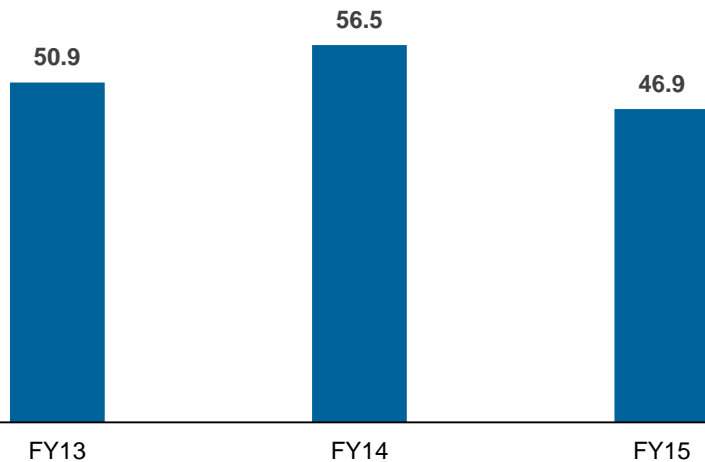
Purpose:

- Original purpose to target business development and job growth in poorer, distressed regions of the state designated as Enterprise Zones
- The jobs incentive program provides state income and franchise tax credits to a new or existing business creating permanent, new full-time jobs

Incentive:

- One-time jobs credit of \$3,500 per new job for businesses located in an enterprise zone or for new hires receiving public assistance. Otherwise, the one-time jobs credit is \$1,000 per new job
- Choice between a sales and use tax credit at 4% of qualifying expenditures or 1.5% investment credit of qualifying capital expenditures, both options capped at \$100k per net new job created

Total exemption value by fiscal year (\$MM)



Estimated impact on Louisiana economy by calendar year

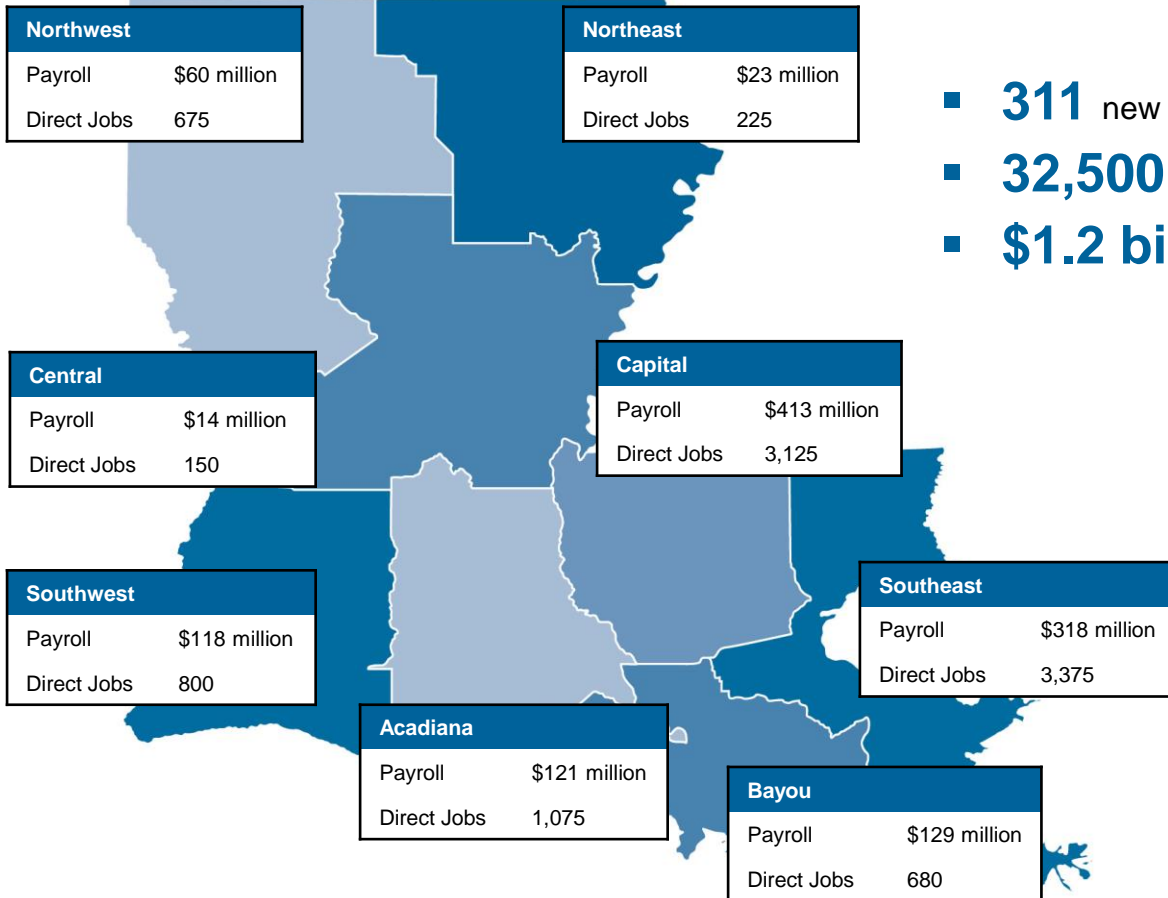
Performance Indicator	2013	2014	2015	Total
Expansions and Relocations	105	107	99	311
New direct jobs (est.)	3,138	3,928	3,017	10,083
Construction jobs (est.)	5,744	6,149	10,474	22,367
Investment (est. \$MM)	1,541	3,486	2,693	7,720

Other information:

- Enterprise Zone is a statutory incentive program with a sunset date of July 1, 2017 for advance notification filings
- Program is open to any Louisiana business not engaged in gaming, residential development, church, retail, restaurant, hotel, or operating as a staffing agency
- Recent changes in 2016 special session exclude hotels and staffing agencies, which will bring the program more in line with similar programs in neighboring states

ENTERPRISE ZONE (EZ) PROGRAM REGIONAL IMPACT

Impact of the Enterprise Zone program (2013-2015)



- **311** new and expansion projects across 34 parishes
- **32,500** total new, direct and indirect jobs created
- **\$1.2 billion** in new payroll

RESEARCH & DEVELOPMENT (R&D) PROGRAM OVERVIEW

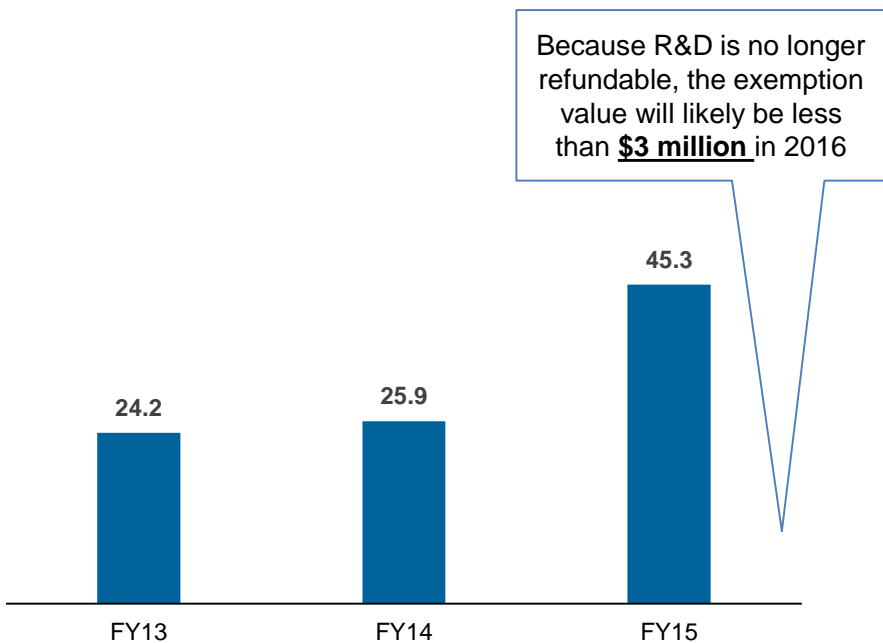
Purpose:

- To encourage businesses with operating facilities in Louisiana to establish or continue research and development activities within the state
- The program provides tax credits for the state's apportioned share of the taxpayer's research expenditures for increasing research activities, based on employment levels or federal research grants received

Incentive:

- Credit of 8% of qualifying expenditures for an entity employing 100+ people, credit of 20% for an entity employing between 50 to 99 people, credit of 40% for an entity employing less than 50 people, or a credit of 40% of the award for companies who received a federal Small Business Innovation Research (SBIR) grant

Total exemption value by fiscal year (\$MM)



Estimated impact on Louisiana economy by fiscal year

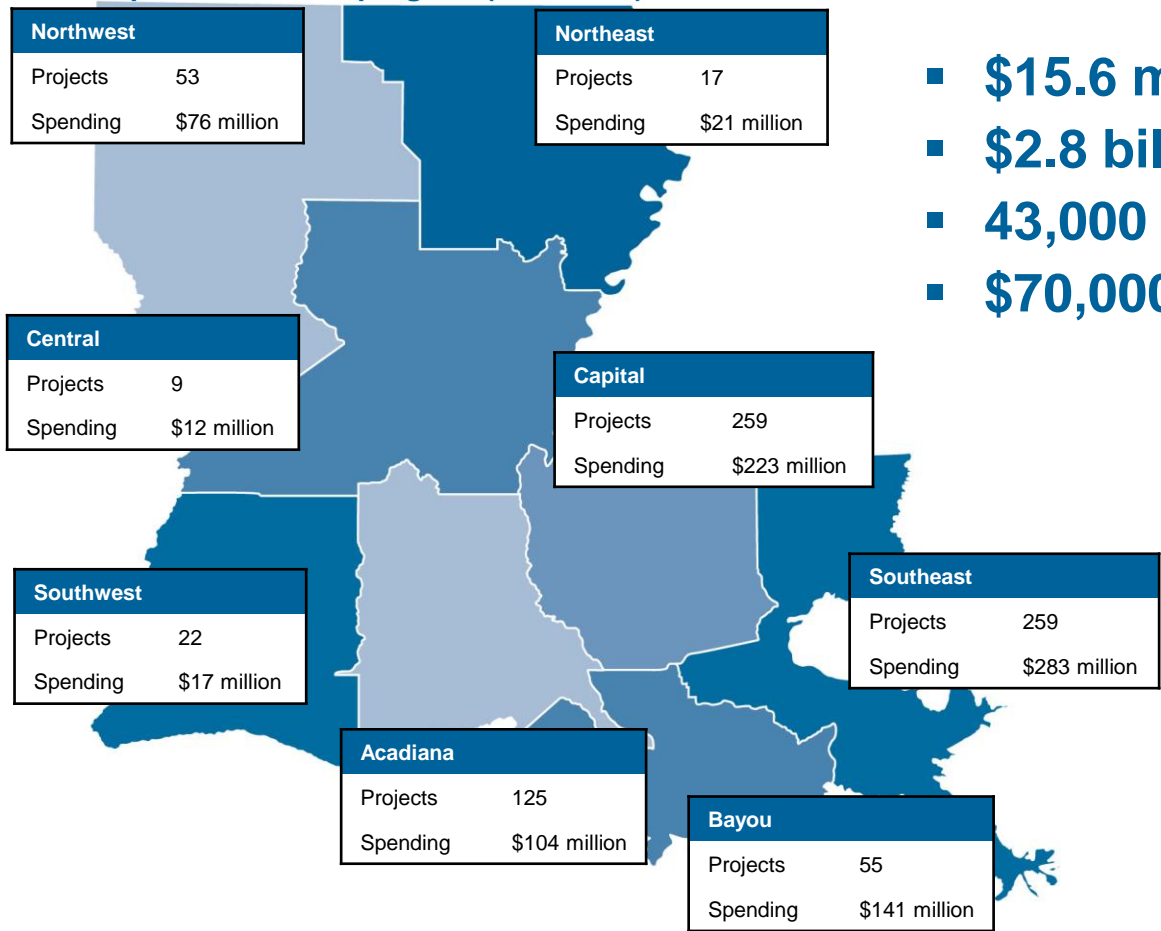
Performance Indicator	2013	2014	2015	Total
Projects in year	298	292	209	799
LA cert. spending (\$MM)	418	247	212	877
Jobs supported (thousands)	13.1	14.3	15.2	42.5
Average salary (thousands)	71.4	70.4	70.3	70.7

Other information:

- R&D is a statutory incentive program, tiered by employment levels or the amount of SBIR grant funding received
- Changes from the 2015 regular session include the removal of the refundable aspect of the credit, yet still allowing the excess amount to be carried forward for up to five years
- The projected exemption value is less than \$3 million for FY16

RESEARCH & DEVELOPMENT (R&D) PROGRAM REGIONAL IMPACT

Impact of the R&D program (2013-2015)



- **\$15.6 million** in Federal SBIR awards
- **\$2.8 billion** in payroll for the R&D jobs supported
- **43,000** total R&D jobs supported by the program
- **\$70,000+** average salary for Louisiana R&D employees

DIGITAL MEDIA (DM) PROGRAM OVERVIEW

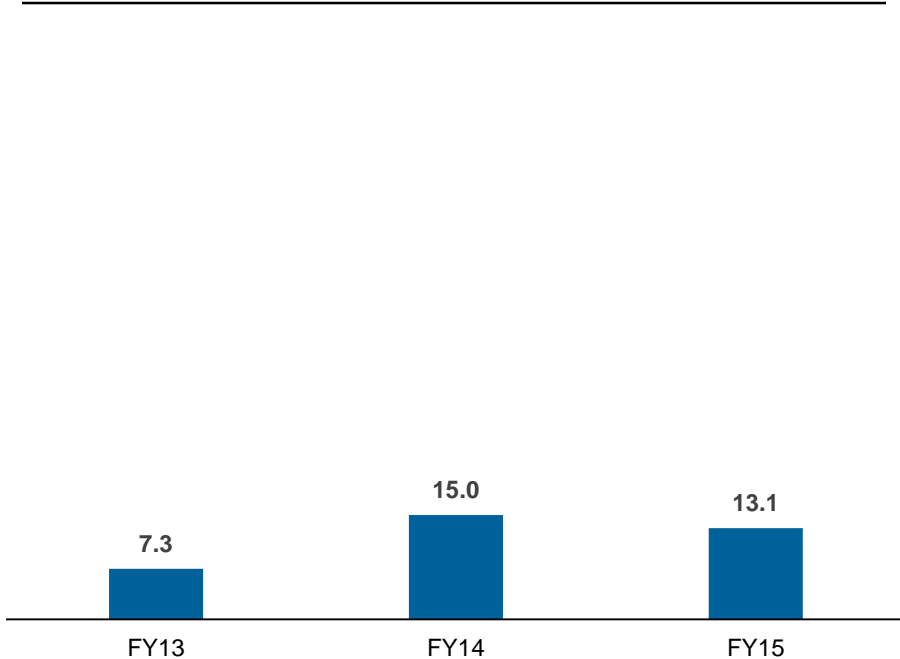
Purpose:

- To encourage the development of a strong capital base for the production of digital interactive media products and platforms in order to achieve a more independent, self-supporting industry in Louisiana
- Long term objectives include encouraging increased employment opportunities and competitiveness through fully-developed economic development options within the industry. In addition, the program is intended to foster the development of new education curricula and educational partnerships to meet the needs of digital interactive media employers

Incentive:

- Payroll tax credit of 25.2% of qualified, in-state labor
- Tax credit for 18% of qualified production expenses

Total exemption value by fiscal year (\$MM)



Estimated impact on Louisiana economy by calendar year

Performance Indicator	2013	2014	2015	Total
Projects in year	149	88	160	397
LA cert. spending (\$MM)	44.7	30.4	42.3	117.5
LA cert. payroll (\$MM)	40.0	28.9	39.7	108.6
LA employees (est.) ¹	728	525	721	1,974

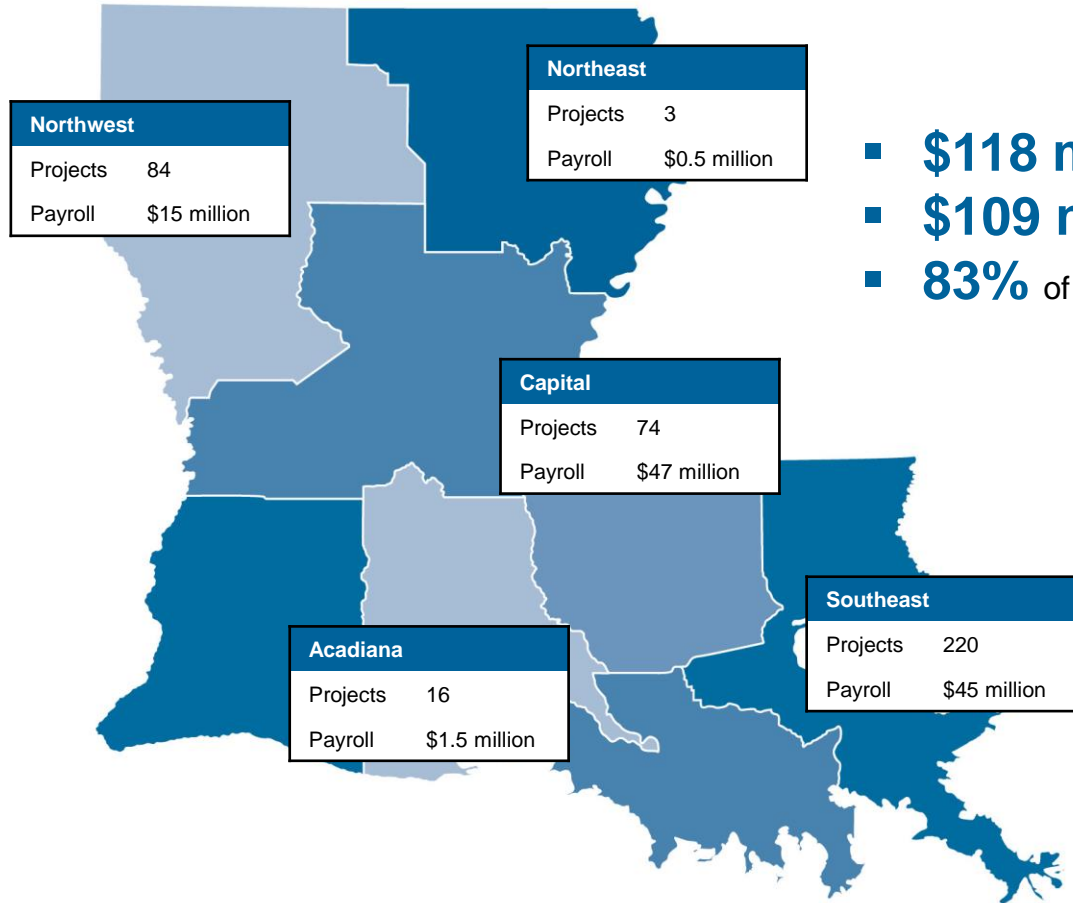
Other information:

- Digital Media is a statutory incentive program
- Program credits are available as either 100% of a company's claimed LA tax return value or 85% of value earned as a rebate at any time
- Prior to the 2015 regular session, the credit provided up to a 35 percent tax credit for in-state labor, coupled with up to a 25 percent credit for production expenses

¹ Estimated employees are calculated using the formula [Actual LA Certified Payroll / Est. Average Employee Salary (\$55,000)]

DIGITAL MEDIA (DM) PROGRAM REGIONAL IMPACT

Impact of the Digital Media program (2013-2015)



- **\$118 million** in certified company expenditures
- **\$109 million** in new payroll
- **83%** of DM certified projects are from homegrown LA companies

INDUSTRIAL TAX EQUALIZATION PROGRAM OVERVIEW

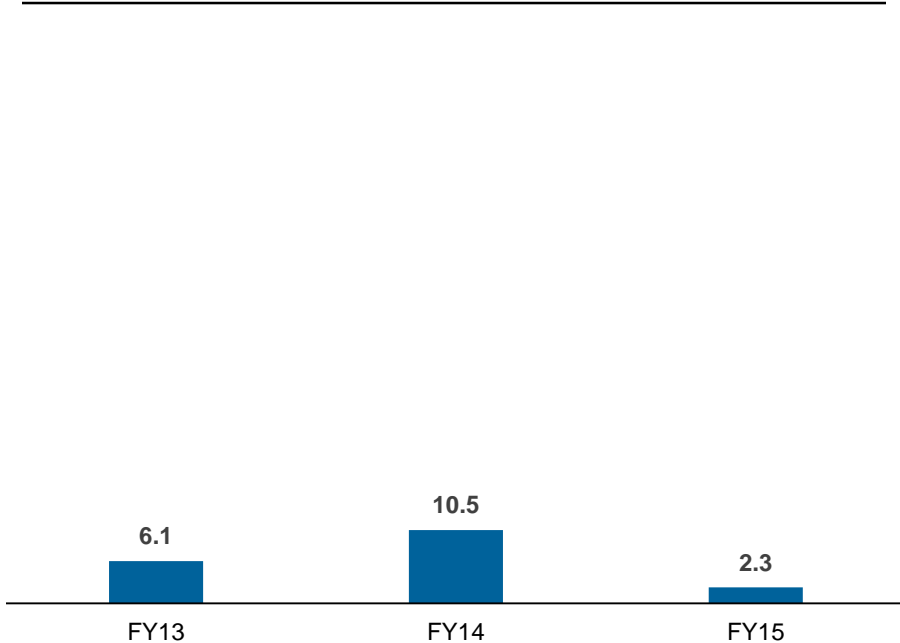
Purpose:

- To attract, retain, and encourage the expansion of manufacturing establishments, headquarters, and warehousing and distribution establishments in Louisiana, for companies that would otherwise invest in another state due to a lower tax-burden

Incentive:

- Eliminates the tax differential (based upon total state and local tax burden) for an establishment between a Louisiana site and a competing state’s site AFTER all other LA incentives are applied
- Each contract allows the business a tax reduction for up to five years with possible renewals in five year intervals, not to exceed twenty years altogether - provided the company demonstrates a 20x economic impact in the state compared to the value of the equalization incentive

Total exemption value by fiscal year (\$MM)



Estimated impact on Louisiana economy

Performance Indicator	Total
Companies with open contracts	2
Investment (est. \$MM)	117
New direct jobs	400
Retained jobs	2,142

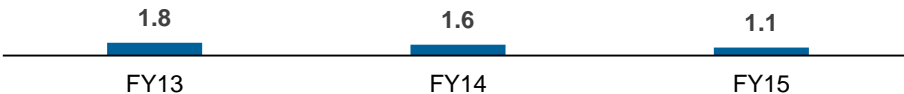
Other information:

- Industrial Tax Equalization is utilized at the discretion of the Secretary of LED, who recommends the company to the governor, and ultimately the contract must be approved by the Joint Legislative Committee on the Budget
- Incentive only reduces, not eliminates, tax liability; therefore, the State still realize tax benefit from capital expenditures, sales and use taxes, payroll taxes and any other tax not reduced by the incentive

ANGEL INVESTOR TAX CREDIT PROGRAM OVERVIEW

- Purpose:**
- To enhance the entrepreneurial business environment by encouraging third party interests with high net worth to invest in early-stage, wealth-creating businesses in the state
 - Additionally, the program is intended to expand the state’s economy by increasing the base of wealth-creating businesses and the number of jobs available to retain the presence of young, educated people
- Incentive:**
- Up to 25.2% tax credit on the funds invested in LED’s certified Louisiana Entrepreneurial Businesses (LEBs). After FY18, the credit will revert to 35%
 - Annual investment cap per LEB of \$720,000 and total investment cap per LEB to \$1.44MM. After FY18, LEB caps will revert to \$1MM and \$2MM respectively

Total exemption value by fiscal year (\$MM)



Estimated impact on Louisiana economy by calendar year

Performance Indicator	2013	2014	2015	Total
Number of LEBs	16	21	24	61
New direct jobs	125	30	22	177
Retained jobs	170	151	156	477
Investment in LEBs (\$MM)	10.2	12.2	21.1	43.5

Other information:

- The Angel Investor Tax Credit is a statutory program with an annual cap of \$3.6MM, which will revert to \$5MM after FY18
- Credits are issued on a first-come, first-served basis
- LEBs must have their principal business operations and place of employment in Louisiana, have less than 50 employees, and have either less than \$10MM in sales or a net worth of less than \$2MM

¹Job and revenue numbers for 2015 are not currently available as this information is typically compiled in the 4th quarter of each fiscal year

Source: LDR Tax Exemption Budget, LED

RETENTION & MODERNIZATION (R&M) PROGRAM OVERVIEW

- Purpose:**
- To induce businesses to remain in the state and to modernize their existing operations in Louisiana
 - The program’s incentive inducing businesses to reinvest in existing operations fits with the State’s priority to retain and grow existing industry
- Incentive:**
- One-time, refundable state credit of 3.6% of qualified capital investments. After FY18, the credit will revert to 5% of capital investments
 - The program has an annual statewide cap of \$7.2MM. After FY18, this cap will revert to \$10MM

Total exemption value by fiscal year (\$MM)

0.00	0.18	0.76
FY13	FY14	FY15

Estimated impact on Louisiana economy

Performance Indicator	Total
Companies with open contracts	7
Investment (est.)	\$476MM
New direct jobs (est.)	334
New payroll (est.)	\$11MM
Retained jobs (est.)	3,097

Other information:

- Retention and Modernization is a discretionary incentive program. LED determines the allocation of available tax credits, considering a company’s impact on program objectives and employment, the economy of the state, the availability of tax credits, and the total financial impact to State tax revenue
- Qualification requires a company to invest a minimum of \$5MM in modernizing operations that either help improve the entire efficiency of the facility by more than 10 percent or allow the project to be considered as a competitive capital project

TECHNOLOGY COMMERCIALIZATION PROGRAM OVERVIEW

- Purpose:**
- To incent private companies to invest in the commercialization of Louisiana technology within the State
 - The investment incentive provides a tax credit for both the investment in commercialization of Louisiana technology and the creation of jobs
- Incentive:**
- Payroll rebate of 4.32% of gross payroll for newly created jobs directly related to the technology or intellectual property. After FY18, the rebate will revert back to 6%
 - Commercialization credit of 28.8% of commercialization costs per technology or intellectual property. After FY18, the credit will revert back to 40%

Total exemption value by fiscal year (\$MM)

0.10	0.20	0.18
FY13	FY14	FY15

Estimated impact on Louisiana economy by calendar year

<u>Performance Indicator</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Number of approvals	6	7	6	19
Approved commercialization costs (\$MM)	0.4	0.5	0.5	1.4

Other information:

- Technology Commercialization is a statutory incentive program. Companies enter into performance-based contracts with the State to receive credits
- Program targets technologies of Louisiana's own universities, colleges, and technical schools
- The program sunsets on December 31, 2017, however, recipient companies have twenty years to claim the credits

COMPETITIVE PROJECTS PAYROLL INCENTIVE PROGRAM (CPPIP) OVERVIEW

- Purpose:**
- To secure new jobs in target sectors for highly competitive projects that yield a positive return on investment for the State
 - The program encourages development, growth, and expansion of the private sector within the State
- Incentive:**
- Upon invitation of the Secretary and after receiving JLCB approval, companies can receive up to a 15% rebate on new payroll for up to 10 years and a choice of either a 4% state sales and use tax rebate on capital expenditures or a 1.5% project facility expense rebate
 - Incentive rebates vary by industry and return on investment for the State as determined by LED

Total exemption value by fiscal year (\$MM)

.00	.00	.05
FY13	FY14	FY15

Estimated impact on Louisiana economy by calendar year

Performance Indicator	2013	2014	2015	Total
Expansions or relocations	2	0	1	3
New direct jobs (est.)	1,419	0	287	1,706
Investment (est. \$MM)	18,503	0	4	18,507

Other information:

- CPPIP is discretionary, requiring a contract between the company and the State
- Program eligibility requires a company to engage in one of the following activities: manufacturing of durable goods or pharmaceutical products, conversion of fuels, data storage or services, or other LED-recommended activities
- At least 50% of total annual sales must be to out-of-state customers, intended for out-of-state use, or to the federal government

OTHER LED-MANAGED PROGRAMS HAVE LITTLE OR NO ACTIVITY OR HAVE ALREADY SUNSET

Program	Reason for inactivity	Description/purpose
Corporate Headquarters Relocation Program	No active projects; sunsets July 2017	Rebate equal to 20 percent of an approved company's relocation costs ¹
Corporate Tax Apportionment Program	No active projects; sunsets June 2017	Extends the single sales factor computation for corporate income and franchise tax purposes utilized by manufacturers and merchandisers to other qualified business sectors
Exemptions for Manufacturing Establishments (Industry Assistance Program)	No active projects; some credits still being claimed	Exemption from part or all of a manufacturer's overall state tax liability; Amount and term of exemption are determined by LED and the Board of Commerce and Industry. All contracts must be approved by the JLCB.
Green Jobs Industries Credit	Not in effect; U.S. Dept. of Energy has not issued letter of award	Tax credit for a portion of the capital investment made by certain companies in approved "green job" industries
Louisiana Community Economic Development	Sunset in 2010; some projects still active	Tax credit for up to 25 percent of the amount contributed to a community development corporation or financial institution
Mentor-Protégé Tax Credit	Sunset in 2011; some projects still active	Refundable tax credit for qualifying businesses which enter into a Mentor-Protégé agreement with a developing protégé company
Ports of Louisiana Tax Credits	No active projects	Tax credit based on either the total capital costs of a project or on the tonnage of qualified cargo imported or exported
University Research and Development Parks	Negligible credits claimed	Exemption from state taxes imposed on university-related research and development parks
Urban Revitalization Tax Incentive Program	Negligible credits claimed	Exemption from all or part of an employer's corporate income and franchise tax liability in addition to a \$5,000 credit per new employee

¹This is the reduced rate enacted as a result of the 2015 legislative session. Previously the rebate was for 25 percent of an approved company's relocation costs.

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