



July 9, 2009

### Capital Gains Legislation Passed and Signed into Law

Governor Jindal has signed HB 106 by Greene, which will exempt capital gains from the sale of a Louisiana private business from individual income tax, effective January 1, 2010. This is a major tax policy change of long-term importance to economic development and was a priority for Greater New Orleans, Inc. in the 2009 Session, who led a Tax Competitiveness Coalition to advocate for the measure.

Currently Louisiana suffers from a business recruitment and retention problem, not only for companies, but for business leaders as well. A Louisiana resident may be taxed up to 6% on the sale of a privately held business, while Texas, Florida, and Tennessee have no personal income tax, and other southern states like Arkansas and South Carolina provide significant tax reductions for capital gains as verified in a 2008 tax report by LSU economist Dr. Jim Richardson, *Louisiana Personal Income Taxes: Are There Unintended Consequences*. The report was commissioned by the Tax Task Force of GNO, Inc.

For example, if you grow and sell your business for \$10M in Louisiana today, you would face a \$600K tax bill – as opposed to nothing in these other southern states where that savings can be applied to new investment, retirement and local spending. As a result there has been a steady stream of business and business owners exiting the state before selling off their privately held companies. That kind of loss impacts jobs, revenue, philanthropy, entrepreneurship and capital retention.

Michael Hecht, CEO of GNO, Inc. states, “HB 106 rectifies this situation, and eliminates a major wealth – and brain drain - on Louisiana. Moreover, the bill now provides a recruitment tool for drawing new companies and investment into Louisiana. This is particularly important in the GNO region, with our attractiveness for small and medium-size companies, such as digital media and tech related start-ups.”

GNO, Inc. gives special recognition and thanks to the key legislative champions Rep. Hunter Greene of Baton Rouge who handled the bill in the House, Rep. Cameron Henry of Metairie, Senator Jack Donahue of Mandeville, Senator Mike Michot of Lafayette, and Senator Robert Adley of Shreveport, who handled the bill in the Senate.

The lead author for the bill was Rep. Greene, who serves as the House Ways and Means Chairman. He embraced the issue a year ago and has been a steady champion for the cause throughout the process. Rep. Greene made this bill a priority in a difficult fiscal Session, with HB 106 making the cut among the House, Senate, and Governor's actions, picking up 36 coauthors along the way. Rep. Greene's response to the bill's passage is upbeat, "I was happy to lend my name to the effort that I believe will help position our state to be a more competitive environment for business development. Bottom line, we want to grow our own successes and keep that wealth creation in our local communities, and that's why I filed the bill."

Bill Langenstein, Chairman of GNO, Inc.'s Tax Task Force, takes a long term view and emphasizes that the capital gains issue has been a growing problem for years, first identified in a 2005 *Louisiana Headquarters and Jobs Initiative Report*, which outlined a multi-year strategy to make Louisiana more tax competitive for business entry and expansion. Langenstein concludes, "HB 106 continues our steady tax policy work and will be a major catalyst for business retention efforts, particularly for Louisiana cities that straddle the Texas line and for certain economic sectors that compete directly with Texas, like energy and trade, major drivers of the Houston market."

There is also a business attraction aspect of the capital gains legislation that needs to be communicated as reiterated by Ross Barrett of Louisiana Ventures, a Bossier City based venture capital firm, "Lowering capital gains is good for companies, good for investors, and good for Louisiana innovation. HB 106 is sound fiscal policy and sends a strong message nationally that Louisiana is not only a great place to visit, but even a better place to live and start a business."

GNO, Inc. acknowledges the diligence and teamwork of the Tax Competitiveness Coalition partners, including the Louisiana Society of CPAs, LA Coalition for Capital, National Federation of Independent Business, Southwest Louisiana Chamber, Baton Rouge Area Chamber, New Orleans Business Council, Jefferson Business Council, Northshore Business Council, St. Bernard Chamber of Commerce, Plaquemines Association of Business & Industry, Louisiana Technology Council, Lafayette Economic Development Authority, Louisiana Industrial Development Executives Association, LA Emerging Technology Center, Roy O. Martin Companies, and Louisiana Ventures.