

NOTICE OF INTENT

Department of Economic Development
Office of Commerce and Industry
Financial Incentives Division

Quality Jobs Program (LAC 13:I.Chapter 42)

Under the authority of R.S. 51:2451-2461 the Board of Commerce and Industry has adopted the Louisiana Quality Jobs rules, LAC 13:I.Chapter 42.

The Board of Commerce and Industry has adopted rules in accordance with 1995, Act 1238 which allows the state of Louisiana to provide appropriate tax incentives based on the creation of jobs and 1996, Act 39 which changed the incentive from a cash payment to a tax credit. This is the first promulgation of the rules for both acts.

Title 13

ECONOMIC DEVELOPMENT

Part I. Commerce and Industry

Subpart 3. Financial Incentives

Chapter 42. Louisiana Quality Jobs Program

§4201. General

A. Intent of Law. To provide incentive tax credits to certain business establishments which qualify as a basic industry.

B. Program Description

1. The qualified establishment must be a basic industry with annual gross payroll for new direct jobs equal to or exceeding \$1,000,000 within three years of the anticipated date on which the establishment will first qualify for the incentive tax credit.

2. The amount of the incentive tax credits must be directly related to the new direct jobs created as a result of the qualified establishment locating in the state. The incentive tax credits cannot exceed the estimated net direct benefits which will accrue to the state as a result of the establishment locating in the state.

3. Approval by the Board of Commerce and Industry, the secretaries of the Department of Labor and the Department of Revenue and Taxation, and the governor is required.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4203. Definitions

The following words or terms as used in this Chapter shall have the following meaning, unless a different meaning appears from the context.

Basic Industry

1. manufacturing, as defined or classified under Division D of the Standard Industrial Classification (SIC) Manual, latest version; administrative and auxiliary services which are assigned a one-digit auxiliary code in the SIC Manual of 1, 2, or 3; if the business is assigned the one-digit auxiliary code of 3, the business qualifies only if 75 percent of the inventory processed through such warehouse is shipped out of state; or the following, if an establishment classified therein has or will have within one

year, sales of at least 75 percent of its total sales, as determined by the Incentive Approval Committee to out-of-state customers or buyers, to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government:

a. motor freight transportation and warehousing, as defined or classified under Major Group 42 of the SIC Manual, latest version;

b. transportation by air, as defined or classified under Major Group 45 of the SIC Manual, latest version;

c. arrangement of passenger transportation, as defined or classified under Industry Group 472 of the SIC Manual, latest version;

d. arrangement of transportation of freight or cargo, as defined or classified under Industry Group 473 of the SIC Manual, latest version;

e. insurance carriers, as defined or classified under Major Group 63 of the SIC Manual, latest version;

f. mailing, reproduction, commercial art and photography, and stenographic services, as defined or classified under Industry Group 733 of the SIC Manual, latest version;

g. services to dwellings and other buildings, as defined or classified under Industry Group 734 of the SIC Manual, latest version;

h. miscellaneous equipment rental and leasing, as defined or classified under Industry Group 735 of the SIC Manual, latest version;

i. personnel supply services, as defined or classified under Industry Group 736 of the SIC Manual, latest version;

j. computer programming, data processing, and other computer-related services, as defined or classified under Industry Group 737 of the SIC Manual, latest version;

k. miscellaneous business services, as defined or classified under Industry Group 738 of the SIC Manual, latest version;

l. medical and dental laboratories, as defined or classified under Industry Group 807 of the SIC Manual, latest version;

m. engineering, architectural, and surveying services, as defined or classified under Major Group 87 of the SIC Manual, latest version;

n. water transportation, as defined or classified under Major Group 44 of the SIC Manual, latest version;

o. communication, as defined or classified under Major Group 48 of the SIC Manual, latest version, excepting subgroups 4832 and 4833.

2. In addition to LAC 13:I.4203.A.1 above, to be considered engaged in a basic industry the establishment shall offer within 180 days of the date it first qualifies for the incentive tax credit, a basic health benefits plan to all employees who occupy "new direct jobs" in accordance with R.S. 51:2453(1)(b). The basic health benefits plan must provide:

a. at least 50 percent of the premium is paid by the employer;

b. coverage must provide for basic hospital care which includes, but is not limited to:

i. in-patient services such as hospitalization, doctor visits in the hospital, any other care such as tests, x-rays, treatments, emergency services, blood, anesthesia, bed and board, drugs, general nursing services, medical and surgical supplies, and out-patient tests 72 hours prior to admission;

ii. out-patient services for surgery;

c. basic physician care for/but not be limited to such things as annual PAP Smear and immunization shots, but not well visits.

3. Any establishment engaged in the gaming industry shall not be eligible to apply for benefits under this Chapter.

New Direct Job—full-time-equivalent employment with a qualified establishment, in a job that previously did not exist in this state prior to the date of approval of the contract by the Board of Commerce and Industry.

Estimated Direct State Benefits—the tax revenues projected by the Department of Economic Development to accrue to the state as a result of new direct jobs. The factor used to determine the estimated direct state benefits is 6 percent of the gross payroll associated with the qualifying project. (This factor is widely used by Louisiana state government officials in determining economic impacts, tax projections, etc. The factor was obtained from the Legislative Fiscal Office and is also used by the State Budget Office and statewide by economists who participate in revenue projections and economic impact analyses.)

Estimated Direct State Costs—the costs projected by the department to accrue to the state as a result of new direct jobs. The estimated direct state costs are determined from the current annual per capita state general fund expenditure being made by the state to care for its citizens multiplied by the total number of new state residents resulting from the qualified establishment locating in the state. The direct outlay of additional state funds to the qualified establishment is also a direct state cost. The average annual value of that cost over the useful life of the item purchased or built will be included in this direct cost determination. Such costs shall include but not be limited to the following:

1. the costs of education of new state resident children;

2. the costs of public health, safety, and transportation services to be provided to new state residents;

3. the costs of other state services to be provided to new state residents;

4. the costs of employee training and other state services.

Estimated Net Direct State Benefits—the estimated direct state benefits, not including revenues projected to accrue to municipal and parish governments, less the estimated direct state costs.

Net Benefit Rate—the estimated net direct state benefits computed as a percentage of gross payroll over the five-year contract period; however, the net benefit rate shall not exceed 5 percent. Formula:

Estimated (5 year) Direct State Benefits - Estimated (5

year) Direct State Costs = Estimated (5 year) Net Direct State Benefits

Estimated (5 year) Net Direct State Benefits / (5 year) Estimated Gross Payroll = Net Benefit Rate

Gross Payroll—wages paid for new direct jobs as defined herein.

Wages—all remuneration for services from whatever source, including commissions, bonuses, cash value of all remuneration in any medium other than cash, dismissal payments and gratuities. The latter two shall be estimated in accordance with the Internal Revenue Code and its rules and regulations. Wages shall not include the following:

1. the amount of any payment with respect to services performed after January 1, 1951, to or on behalf of an individual in its employ under a plan or system established by an employing unit which makes provision for individuals in its employ generally, or for a class or classes of such individuals, including any amount paid by an employing unit for insurance or annuities, or into a fund to provide for any such payment, on account of:

- a. retirement;
- b. sickness or accident disability;
- c. medical and hospitalization expenses in connection with sickness or accident disability;
- d. death, provided the individual in its employ:
 - i. has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premium or contributions to premiums paid by his employing unit;
 - ii. has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit or to receive cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon the termination of such plan or system or policy of insurance or of his services with such employment unit;
- e. a bona fide thrift or savings fund, providing:
 - i. such payment is conditioned upon a payment of a substantial sum by such individuals in its employ;
 - ii. such sum paid by the employing unit cannot under the provisions of such plan be withdrawn by an individual more frequently than once in any 12-month period, except upon an individual's separation from that employment;
- f. any payment made to, or on behalf of, an employee or his beneficiary under a cafeteria plan of the type described in 26 U.S.C. 125 and referred to in 26 U.S.C. 330(b)(5)(G);
- g. any payment made, or benefit furnished, to or for the benefit of an employee if at the time of such payment or such financing it is reasonable to believe that the employee will be able to exclude such payment or benefit from income under an educational assistance program as described in 26 U.S.C. 127 or a dependent care assistance program as described in 26 U.S.C. 129 and as referred to in 26 U.S.C. 330(b)(13);
- h. the payment by an employing unit, without deduction from the remuneration of the individual in its employ, of the tax imposed upon such individual in its

employ under Section 3101 of the federal Internal Revenue Code with respect to domestic services in a private home of the employer or for agricultural labor performed after December 31, 1980;

i. dismissal payments which the employer is not required by law or contract to make;

j. the value of any meals and lodging furnished by or on behalf of an employer to an individual in his employ, provided the meals and lodging are furnished on the business premises of the employer for the convenience of the employer.

Establishment—for purposes of this Chapter, any business entity, including but not limited to a sole proprietorship, limited liability partnership, limited liability company, partnership, corporation, or combination of corporations which have a central parent corporation which makes corporate management decisions such as those involving consolidation, acquisition, merger, or expansion.

Date the Establishment First Qualifies for the Incentive Tax Credit—the date the contract between the Board of Commerce and Industry and the establishment is approved and signed by the governor.

Department—for purposes of this Chapter, the Department of Economic Development.

Incentive Approval Committee—will consist of the following members of the Department: Financial Incentives Division Director, the Deputy Assistant Secretary of the Office of Policy and Research, the Deputy Assistant Secretary of the Office of Commerce and Industry, the General Counsel of the DED, and the Quality Jobs Program Administrator, or their representatives.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4205. Qualified Establishment

A. In order to become a qualified establishment under this Chapter the business entity must:

1. be engaged in a basic industry as defined in LAC 13:I.4203.A;

2. have an annual gross payroll for new direct jobs projected by the department to equal or exceed \$1,000,000 dollars within three years of the anticipated date on which the qualified establishment will receive its first incentive tax credit. The criteria for the projection is defined in LAC 13:I.4209;

3. have a number of full-time employees working an average of 25 or more hours per week in new direct jobs equal to, or in excess of, 80 percent of the total number of new direct jobs;

4. must offer a basic health benefits plan to new employees.

B. A subunit of an entity may be classified as an establishment if engaged in an activity or service or production of a product which is demonstratively independent and separate from the entity's other activities, services, or products and can function in the absence of any other functions of the entity. Limited interunit overlap of administrative and purchasing functions will not disqualify a subunit from consideration as an establishment by the

department. The "expansion" of a facility which already exists in Louisiana and has an existing contract under this Chapter, must be a "subunit" as defined in this Chapter. An expansion, of an entity without a contract under this Chapter, must be a stand alone operation.

1. The entity shall have a minimum payroll of \$1,000,000 and the subunit shall also have a minimum payroll of \$1,000,000.

2. Subunit of an entity must have an accounting system capable of tracking payroll, expenses, revenue, and production and must continue such an accounting system during the contract period under this Chapter.

3. The entity has not previously had a subunit in Louisiana determined to be an establishment pursuant to this Chapter. Only one subunit of an entity can receive the benefits of this program.

4. The department will determine on a case-by-case basis, using the parameters established by statute, any circumstances under which a subunit may be considered an establishment and make those recommendations to the Board of Commerce and Industry.

5. The department must have determined that the subunit will have a probable net gain in total employment within the original five-year contract period.

6. The department will determine on a case-by-case basis the criteria for determining the period of time within which such gain must be demonstrated and a method for determining net gain in total employment. In order to make these determinations in an impartial and objective manner, the department will employ nationally recognized standards (ie: the RMA Annual Statement Studies).

C. A qualified establishment cannot be engaged in the gaming industry.

D. If the applicant is determined to be qualified by the department, the department shall conduct a cost/benefit analysis to determine the estimated net direct state benefits and the net benefit rate applicable for a 10-year period and to estimate the amount of gross payroll for a 10-year period.

E. An expansion may be eligible if they meet the minimum criteria as defined in LAC 13:I.4203.A.1 and 2.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4207. Application Fees, Timely Filing

A. The applicant shall submit an advance notification on the prescribed form before locating the establishment or the creation of any new direct jobs in the state. All financial incentive programs for a given project shall be filed at the same time, on the same advance notification form. An advance notification fee of \$100, for each program applied for, shall be submitted with the advance notification form.

B. Application for incentive tax credits must be filed with the Office of Commerce and Industry, Box 94185, Baton Rouge, Louisiana, 70804-9185 on the form prescribed. Failure to file an application prior to location or job creation may result in the application being denied or restricted.

C. An application fee shall be submitted with the

application based on the following:

1. 0.2 percent times the estimated total incentive tax credits (see application fee worksheet attached);
2. minimum application fee is \$200, maximum application fee is \$5000 for all financial incentive programs for a single project;
3. make checks payable to: Louisiana Office of Commerce and Industry.

D. The Office of Commerce and Industry reserves the right to return the advance notification, application, or affidavit of final cost to the applicant if the estimated exemption or the fee submitted is incorrect. The document may be resubmitted with the correct fee. The document will not be considered officially received and accepted until the appropriate fee is submitted. Processing fees, for advance notifications, applications, or affidavits of final cost which have been accepted for eligible projects, shall not be refundable.

E. Applications must be submitted to the Office of Commerce and Industry at least 60 days prior to the next regular scheduled Board of Commerce and Industry Screening Committee meeting at which the application will be considered.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4209. Application Review, Analysis, Evaluation, Determination

A. The department will assign an application number and review the advance notification form to determine if the establishment qualifies pursuant to §4203.A.

B. The application package must be complete (any exceptions must be authorized in writing by the department). All sections of the application form must be filled in. If the application is incomplete, additional information may be requested prior to further action by the department. The appropriate application fee must accompany the application package (see fee schedule in §4207.C).

C. Program Qualification. The department shall determine that the establishment or a subunit qualifies as a basic industry which will have a minimum of \$1,000,000 gross payroll dollars within three years of the anticipated date on which a establishment will first qualify for the incentive tax credit.

1. The applicant must present a copy of the proposed basic health benefits plan it will offer. The department will verify that the plan has been implemented prior to certifying continued eligibility of the establishment.

2. The department will analyze proposed new direct jobs to determine if they meet the program criteria

3. The establishment must furnish all sources of remuneration that make up the wages which are used in the determination of the gross payroll. A listing which identifies all positions, with corresponding wages, shall be furnished to verify the gross payroll.

4. The anticipated date (the date the application will be presented to the Board of Commerce and Industry) on which the establishment will first qualify for the incentive

tax credit will be determined by the department.

D. Documentation Required. The application information shall be submitted on forms provided by the department.

E. Analysis, Determination

1. If the applicant is determined to be a qualified establishment by the department, the department shall conduct a cost/benefit analysis to determine the estimated net direct state benefits and the net benefit rate applicable for a 10-year period and to estimate the amount of gross payroll for a 10-year period.

2. In conducting such cost/benefit analysis, the department shall consider quantitative factors, such as the anticipated level of new tax revenues to the state along with the added cost to the state of providing services, and any other information deemed necessary or appropriate by the department.

3. It is determined by the department that the entity will have a probable net gain in total employment within the original five-year contract period.

4. The department will use the number of nonresident employees in the calculation of the net benefit rate. The applicant will furnish the estimated number of Louisiana residents and nonresidents on the application form.

5. For the purpose of financial incentive programs administered by the department, a Louisiana resident is one who has lived in the state for 30 consecutive days.

6. In no event shall incentive tax credits cumulatively exceed the estimated net direct state benefits.

F. The department will determine the estimated direct state benefits, the estimated direct state costs, the estimated net direct state benefits, and the net benefit rate based in part on the information provided in the application.

G. Application Procedures/Steps. The department reserves the right to require any additional information, not contemplated herein, which may be necessary in order for it to comply with its obligations under this Chapter and R.S. 51:2451-R.S. 51:2461.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4211. Application to Department of Labor

The department will send a copy of the application and all related information to the Department of Labor. The department must obtain a letter-of-approval or a letter-of-no-objection, from the Department of Labor, prior to submitting the application to the Board of Commerce and Industry for approval. The Department of Labor may require additional information from the applicant.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4213. Application to Department of Revenue and Taxation

A. Prior to approval by the Board of Commerce and Industry, the department will send a copy of the application and all related information to the Department of Revenue

and Taxation. A copy of cost/benefit analysis performed by the department will accompany such information. The Department of Revenue and Taxation may require additional information from the applicant.

B. The Board of Commerce and Industry must obtain a letter-of-approval or a letter-of-no-objection from the Department of Revenue and Taxation prior to approval of the application.

C. Upon approval of such an application, the department shall notify the Department of Revenue and Taxation. The Department of Revenue and Taxation may require the qualified establishment to submit such additional information as may be necessary to administer the provisions of this Chapter.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4215. Commerce and Industry Recommendations to Board

A. The department after review and analysis, will process the application information in a format suitable for presentation to the Board of Commerce and Industry.

B. The presentation of determinations (ie: estimated direct state benefits, estimated direct state costs, estimated net direct state benefits, net benefit rate will include all formulas and assumptions made.

C. The contract must be approved by the Board of Commerce and Industry.

D. The department will make the recommendations for approval or disapproval, and will provide information on behalf of the Department of Revenue and Taxation and the Department of Labor.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4217. The Contract

A. The initial contract may be approved for a period of up to five years. The contract may be renewed for up to an additional five years. The first year of the contract shall be the beginning of the taxable year in which the contract is approved and it shall terminate on the last day of the fifth taxable year. If the contract is renewed, it shall terminate on the last day of the tenth taxable year.

B. The date the establishment first qualifies for the incentive tax credit shall be the date the contract between the Board of Commerce and Industry and the establishment is approved and signed by the governor.

C. The terms of the contract for incentive tax credits shall contain the following requirements.

1. If, within three years of the date that the establishment first qualifies for the tax credit, the actual verified gross payroll for twelve consecutive months does not equal or exceed a total of \$1,000,000, the tax liability for the current taxable period shall be increased by the amount of incentive tax credits previously allowed. If at any other time during the contract period, the actual verified gross payroll for 12 consecutive months does not

equal or exceed a total of \$1,000,000, the incentive tax credits shall be suspended and shall not be resumed until such time as the actual verified gross payroll equals or exceeds the amounts specified in this Subsection. However, in no event shall incentive tax credits cumulatively exceed the estimated net direct state benefits.

2. The net benefit rate established under LAC 13:I.4205.G shall remain the same for the period of the contract.

3. The net benefit rate cannot exceed 5 percent of gross payroll.

4. If a qualified establishment, with an active contract under this Chapter, expands beyond the originally estimated gross payroll, it may make a new application for additional incentive tax credits based on the new gross payroll anticipated from the expansion.

5. In order to show continued eligibility, the contractee shall annually provide to the department, a copy of the basic insurance plan being implemented and all data sent to the department of Revenue and Taxation for the annual tax incentive credit. The establishment may be audited by the department to verify such eligibility. The approved contract between the establishment and the department shall authorize the continued incentive tax credit as long as the establishment retains its eligibility as defined in and established pursuant to this Section and R.S. 51:2453 and 2457 and within the limitations contained in this Chapter, as it existed at the time of such approval.

D. A contract of renewal will be considered by the department subject to the same conditions as the original application. The contractee shall apply for a renewal contract at least six, but not more than 12 months prior to the expiration of the initial contract.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4219. Incentive Tax Credits

A. Incentive tax credits may be taken for the taxable periods specified in the contract against Louisiana corporation and personal income taxes and corporation franchise tax in an amount equal to the net benefit rate provided by the department multiplied by that years gross payroll of new direct jobs as verified by the Department of Labor.

B. Incentive tax credits cannot exceed net direct state benefits (the estimated state benefits minus all costs to the state as a result of the establishment moving to or expanding in the state) that will accrue to the state as a result of the entity locating in Louisiana.

C. The net gain in total employment will be calculated by the contractee and certified by the department by using the following method:

1. calculate the average monthly employment using a summary of the four Quarterly Reports of Wages Paid (Department of Labor Form ES-4) covering the 12-month taxable period. The contractee will include copies of all Form ES-4's submitted to the Department of Labor which were used to calculate this average;

2. subtracting the average number of employees at the

beginning of the project yields the new direct jobs;

3. verify, by providing a list, showing that 80 percent or more of the new direct jobs worked an average of 25 hours or more per week during that 12-month period;

4. total the gross payroll of the new direct jobs to verify that the minimum \$1,000,000.00 is met;

5. multiply the gross payroll by the net benefit rate to obtain the incentive tax credit for that taxable period.

D. The contractee must file with the department on forms prescribed for the annual incentive tax credit.

E. The annual incentive tax credit must be based on the net benefit rate originally established.

F. The department will perform an audit, if deemed necessary, to verify information provided pursuant to LAC 13:I.4219.C for continued eligibility.

G. Within 60 days of receipt of a completed request form for the respective year's incentive tax credit, the department will notify the Department of Revenue and Taxation in writing of the contractee's continued eligibility.

(Note for Informational Purposes Only: Any excess of allowable credits over the aggregate tax liabilities against which such credit can be applied under this Chapter shall constitute an overpayment as defined in R.S. 47:1621(A). The contractee shall apply to the secretary of the Department of Revenue and Taxation for refund of such overpayment at the time of filing their state tax return.)

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4221. Prohibited Incentives

A qualified establishment that enters a contract under this Chapter will not be eligible to receive the other credits or exemptions listed under R.S. 51:2458:

1. R.S. 47:34 (tax credit for generation of new jobs in Louisiana);

2. R.S. 47:38 and 287.757 (income tax credit for conversion of vehicles to alternate fuel usage);

3. R.S. 47:4301 through 4306 (The Industry Assistance Program—income tax, corporate franchise tax, state sales tax, and excise tax exemptions for manufacturing establishments);

4. R.S. 47:6004 (employer credit for employment of previously unemployed person);

5. R.S. 47:6009 (Louisiana basic skills training tax credit—income tax credit);

6. R.S. 47:6010 (employer income tax credit for employee alcohol and substance abuse treatment programs);

7. R.S. 51:1787 (incentives tax exemption from sales and use tax materials to be used in the construction of a building and for machinery and income tax credit for each employee in enterprise zone);

8. R.S. 47:287.748 (re-entrant jobs credit for formerly incarcerated employees—corporate income tax);

9. R.S. 47:287.749 (corporate income tax credit for new jobs);

10. R.S. 47:287.753 (neighborhood assistance income tax credit).

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry,

Financial Incentives Division, LR 22:

§4223. Penalties

Penalties are provided under R.S. 51:2460 for false or fraudulent information in making application, claim for tax credit, or other instrument.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4225. Termination of Program

No new application or renewal application will be approved under this Chapter by the Board of Commerce and Industry after January 1, 1998.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

§4227. Severability

If any Section or provision of this Chapter is held invalid, such invalidity shall not affect other provisions of this Chapter. Any provision of this Chapter which is in conflict with R.S. 51:2451- R.S. 51:2461 or any other statute will be invalid and will be severable.

AUTHORITY NOTE: Promulgated in accordance with R.S. 51:2451-2461 et seq.

HISTORICAL NOTE: Promulgated by the Department of Economical Development, Office of Commerce and Industry, Financial Incentives Division, LR 22:

All interested persons are invited to submit written comments on the proposed regulations. Such comments should be submitted no later than August 20, 1996, at 4:30 p.m. to Mr. R. Paul Adams, Director, Business Incentives Division, Office of Commerce and Industry, Box 94185, Baton Rouge, LA 70804-9185.

Harold Price
Assistant Secretary

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES
RULE TITLE: Quality Jobs Program**

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The Louisiana Quality Jobs Program provides a financial incentive to encourage certain basic industries to locate in Louisiana in order to promote economic development and the creation of quality jobs. The Board of Commerce and Industry has adopted rules in accordance with 1996, Act 39 (H.B. 151) which allows the Board of Commerce and Industry to enter into contracts providing tax credits to businesses that increase their payroll by a minimum of \$1,000,000 within the first three years of the contract period, with 80 percent of the employees working 25 hours or more per week, and offer a basic health care plan of which they pay not less than 50 percent of the premium.

The tax incentive credit is based on the following formula: Estimated (5 year) Direct State Benefits (Revenues projected to accrue to the state as a result of the new jobs) less Estimated (5 year) Direct State Costs (costs projected to accrue to the state as a result of the new jobs, such as a new road, training, new resident costs such as education, public health, etc.) equals Estimated (5 year) Net Direct State

Benefits Estimated Net Direct Benefits (above) divided by (5 year) Estimate Gross Payroll equals Net Benefit Rate. The Annual Gross Payroll is multiplied by the Net Benefit Rate, which remains the same for the period of the contract. The tax incentive credit cannot exceed 5 percent of the new additional payroll.

The Department of Economic Development will incur additional responsibilities created by 1995 Act 1238 and Act 39, which will have to be assimilated into the existing workload. There will be no additional cost to state or local governments to implement this program.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The creation of new jobs will have a positive effect on state and local revenues as a result of the proposed new rules. No estimate can be made of the effect on the revenue collections of state and local governments because the department cannot determine what the gross annual payroll of participating companies will be. However, the department estimates an overall net gain in state revenues resulting from the new jobs created, and an increase in local revenues. The tax credits allowed by the program will decrease state income taxes, and corporate franchise taxes. The department estimates receiving approximately 10 applications annually which would be required to remit a minimum \$400 application fee each, resulting in an increase in state self-generated revenue of \$4,000+ annually.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

Participating companies will benefit by receiving tax credits of up to 5 percent of their annual gross payroll, which can be applied against their Louisiana corporate or personal income tax and corporate franchise tax. The increase in jobs will increase spending by the new employees in the surrounding areas. If a participating company's tax credits exceed their tax liabilities, they would receive a refund.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

The intent of the Quality Jobs Program is to help Louisiana compete with other states to attract new businesses, to stimulate business and industrial growth and to provide additional quality jobs for Louisiana citizens. No estimate of the number of new jobs that will be created can be made.

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