

Post Katrina Louisiana Business Development Incentives

Last Updated on 3/1/06

Incentive Available	Brief Description	Eligibility Criteria
I. GULF OPPORTUNITY ZONE ACT OF 2005	Law enacted December 2005 that features the specific incentives detailed below, among others.	
<ul style="list-style-type: none"> • BONUS DEPRECIATION 	The depreciation deduction under Code §167 is increased by 50% for 1 year for qualified GO Zone property.	Original use of property in GO Zone must start with taxpayer on or after 8.28.05. Property must be acquired by purchase on or after that date. Residential rental property and non-residential real property must be placed in service on or before 12.31.08. All other property must be placed in service on or before 12.31.07.
<ul style="list-style-type: none"> • DOUBLE BUSINESS EXPENSING 	The previous Code §179 expensing deduction is \$100,000 beginning in 2003 through 2007. This amount is increased by the lesser of \$100,000 or the cost of qualified GO Zone property. The \$400,000 investment limitation is also increased by the lesser of \$600,000 or the cost of qualified Code §179 Katrina GO Zone property placed in service during the tax year.	This incentive is extended only to qualified Code §179 Katrina GO Zone property placed in service from 8.28.05 to 12.31.07. Expensing on property that is moved out of the GO Zone must be recaptured.
<ul style="list-style-type: none"> • ADDITIONAL CLEAN UP/ DEMOLITION EXPENSING 	Allows taxpayers to expense 50% of clean-up costs that otherwise would be required to be capitalized. This write-off is not limited to businesses that existed pre-Katrina, but applies to new investors as well.	Costs must be paid or incurred after 8.27.05 and before 1.01.08 for the removal of debris from, or the demolition of structures on, real property in the Katrina GO Zone.

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<ul style="list-style-type: none"> • ENVIRONMENTAL REMEDIATION EXPENSING 	<p>Extends Code §198 expensing by 2 years so that taxpayers may expense some environmental remediation costs incurred in connection with qualified contaminated sites located in the Katrina GO Zone through 12.31.07. Petroleum is added as a hazardous substance for this purpose.</p>	
<ul style="list-style-type: none"> • TIMBER EXPENSING/ CARRYBACK 	<p>Small timber producers owning fewer than 500 acres in the Katrina, Rita and Wilma GO Zones will be able to double expensing for qualified timber property and a 5-year "farming" carryback of specified timber net operating losses (NOLs).</p>	
<ul style="list-style-type: none"> • ENHANCED NOL CARRYBACK 	<p>Allows taxpayers to carryback qualified NOLs to 5 years instead of 2 years. Taxpayers may irrevocably elect out of this special treatment after deciding whether to carryback an NOL.</p>	<p>NOLs must be attributable to new investment and repairing existing investment in the areas damaged by Hurricane Katrina; business casualty losses caused by Hurricane Katrina; and moving expenses and temporary housing expenses for employees working in the areas damaged by Hurricane Katrina.</p>
<ul style="list-style-type: none"> • EMPLOYER PROVIDED HOUSING 	<p>Employers may claim a tax credit of 30% of the excludable amount of housing help provided to employees (\$180/month maximum credit per subsidized employee).</p>	<p>This tax break is applicable during the six-month period starting on 1.01.06. Housing expenses paid by employers must be for locations in the Katrina GO Zone. There are also residency requirements.</p>

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<ul style="list-style-type: none"> • NEW MARKETS TAX CREDIT 	<p>New markets tax credit expanded for the Katrina GO Zone. Community Development Entities (CDEs) are allowed an additional \$300 million in 2005 and 2006 and \$400 million in 2007.</p>	
<ul style="list-style-type: none"> • TAX-EXEMPT BONDS 	<p>Authorizes the issuance of special tax-exempt and mortgage bonds to help finance recovery. Also allows one additional advance refunding for these bonds. Interest payments on the bonds are not subject to the alternative minimum tax (AMT).</p>	<p>Proceeds of "GO Zone" bonds must be used for qualified projects. Aggregate face-amount limits are substantial: \$7.9 billion for Louisiana, \$4.8 billion for Mississippi and \$7.1 billion for Alabama. The state bond commission or governor must directly approve the bond issue. To prevent abuse, funding for movable equipment and fixtures is not permitted.</p>
<ul style="list-style-type: none"> • TAX-CREDIT BONDS 	<p>Gives states a limited ability to pay out federal tax credits instead of interest to investors in "Gulf Tax Credit Bonds." This allows states to provide assistance to local governments unable to meet their debt service. Pass-through credits for partnerships and similar entities could be claimed by following current research-credit rules.</p>	<p>\$350 million in these bonds authorized by the law.</p>

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<p>II. LA STATE INDUSTRIAL PROPERTY TAX EXEMPTION FOR MANUFACTURERS</p>	<p>This exemption abates, up to 10 years, local property taxes (Ad Valorem) on a manufacturer’s new investment and annual capitalized additions. Contracts may be granted for a maximum of 5 years with an option to renew the exemption for an additional 5-year period.</p>	<p>Applies to all improvements to land, buildings, machinery, equipment and any other property that is part of the manufacturing process. Tax exempt property must remain on the plant site at all times. The land itself is not eligible for tax exemption.</p>
<p>III. LA STATE ENTERPRISE ZONE PROGRAM</p>	<p>The Enterprise Zone (EZ) Program is a jobs incentive program which provides Louisiana income and franchise tax credits to a business hiring a minimum number of net new employees. A business does not have to be investing money, just creating additional jobs at the EZ site. Credits may be carried forward for up to 10 years. LA Sales/Use Tax rebates may be available on qualified items delivered during the project/construction period.</p>	<p>35% of these new jobs must be filled from one of four targeted groups.</p> <p>Businesses engaged in gaming, residential development and churches are not eligible.</p>
<p>IV. LA STATE QUALITY JOBS PROGRAM</p>	<p>This program encourages businesses to locate and/or expand existing operations in Louisiana, and create quality jobs focusing on <i>Louisiana Vision 2020</i> cluster industries. It provides payroll rebates annually (5% or 6% of eligible wages). LA Sales/Use Tax rebates also available.</p>	<p>In addition to other criteria, a business must either be in one of the six <i>Vision 2020</i> cluster industries or be a manufacturer or be an oil and gas field service business or be a business that meets certain annual sales requirements. The <i>Vision 2020</i> cluster industries are: biotechnology and biomedical; micro-manufacturing; software, internet and telecommunications; environmental technology; food technology and advanced materials.</p>

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<p>V. LA STATE RESTORATION TAX ABATEMENT (RTA) PROGRAM</p>	<p>Grants a 5-year deferred assessment of the ad valorem property taxes assessed on renovations and improvements. During the contract period, taxes owing are based on the assessed valuation of the property just prior to the beginning of the improvements. RTA contracts may be renewed for a second 5 years, if approved. If the property is sold, contract may be transferred, subject to approval.</p>	<p>Commercial property owners and homeowners who expand, restore, improve ore develop an <u>existing structure</u> in a qualifying district, Downtown Development Districts, Economic Development Districts, or Historic Districts or if the structure is on the list of Historic Places. Note that an Enterprise <u>Zone</u> or an Economic Development <u>Zone</u> is not a qualifying district. Tax abatement is not available if property taxes have been paid on the improvements made by the project.</p>

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<p>VI. RENEWAL COMMUNITY (RC) INITIATIVE</p> <ul style="list-style-type: none"> • COMMERCIAL REVITALIZATION DEDUCTION • WAGE CREDIT • WORK OPPORTUNITY CREDIT • WELFARE TO WORK CREDIT • INCREASED §179 DEDUCTION • ZERO PERCENT CAPITAL GAINS RATE • LOW-INCOME HOUSING CREDIT • NEW MARKETS TAX CREDIT • ENVIRONMENTAL CLEAN UP COST DEDUCTION • QUALIFIED ZONE ACADEMY BONDS 	<p>Businesses that construct or rehabilitate commercial property in RCs can deduct a portion of acquisition and rehabilitation costs over a shorter time period than standard depreciation rules.</p> <p>A business may deduct ½ the “Qualifying Revitalization Expenditures” (QREs) up to \$10M for any one project in the year the building is placed in service <u>or</u> deduct all QREs pro-rata over 10 years.</p>	<p>Property must be located in a federally designated RC. Enter www.renewalla.com and click on the left button titled “Address Locator” to check location or contact the appropriate RC Coordinating Responsible Authority (CORA) for your area.</p> <p>Property owner must be a for-profit entity.</p> <p>Redevelopment project must be commercial in part; if 100% residential, not eligible.</p> <p>Complete applications must include letters of good standing from both LA Dept. of Labor and LA Dept. of Revenue with respect to all project partners (individuals and entities).</p> <p>Project must receive an allocation from the state to take advantage of this incentive.</p> <p>Project should be placed into service in year of application or will be placed into service within 2 years of application.</p>

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<p>VII. HISTORIC PRESERVATION FEDERAL TAX CREDIT</p> <p>*NOTE: The GO Zone Act of 2005 increased the rehabilitation tax credit from 20% to 26% with respect to any certified historic structure located in the Gulf Opportunity Zone, provided the qualified rehabilitation expenditures with respect to such structure are incurred on or after 8.28.05 and before 1.01.09.</p>	<p>Encourages the restoration, rehabilitation and/or renovation of income-producing historic buildings located in Louisiana by allowing a tax credit for 20%* of the costs of renovations to a building (including labor, materials and architects/engineers fees).</p> <p>If property owners are unable to take the entire 20%* credit in one year, it can be carried forward 20 years and/or amended backward one year.</p> <p>Project costs must equal the purchase price minus the value of the land. If building has been owned for several years, project costs must equal the present depreciated value.</p>	<p>The building must be in a National Register historic district or individually listed in the register.</p> <p>The building must be historic, that is, built before the end of the period of significance for the district, and still be recognizable as historic, not remodeled into something else.</p> <p>Federal guidelines must be followed on both the interior and exterior.</p>