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## DIGEST

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HB 533 Original

2021 Regular Session

Wright

**Abstract:** Establishes an income tax credit for COVID-19-impacted businesses that meet certain eligibility requirements in the Competitive Projects Payroll Incentive Program and provides for the amount of the credit, maximum term of the contract, and other incentive requirements.

Present law establishes the Competitive Projects Payroll Incentive Program (program) for qualified businesses to receive a rebate of up to 15% of eligible new payroll and for either a sales and use tax rebate for capital expenditures for a facility designated in the contract or for a project facility expense rebate.

Present law authorizes businesses to participate in the program upon invitation by the secretary of the Dept. of Economic Development (DED) and approval by the Joint Legislative Committee on the Budget (JLCB). Further authorizes other business activities to be eligible to participate in the program as recommended by the secretary of DED and approved by JLCB.

Present law prohibits any new contracts from being approved on or after July 1, 2022, but contracts existing on that date may continue and may be renewed.

Proposed law establishes an income tax credit for any eligible COVID-19-impacted business (impacted business) assigned a North American Industry Classification Code of 44, 45, or 72 that meets certain criteria including having a physical and active operation in La. on March 13, 2020, having no more than 50 full-time employees as of March 1, 2020, filing all applicable state tax returns, and filing an initial application with DED to be recognized as an impacted business on or before Dec. 31, 2021. In order to qualify for the credit, the impacted business must have created a minimum of five new jobs between May 15, 2020, and Dec. 31, 2021, and must have created a minimum new annual payroll from new jobs of at least \$40,000 before Dec. 31, 2021.

Proposed law establishes the rate for the tax credit to be 6% of the wages for each new job created. In order to determine the number of new jobs eligible for the credit, the applicant's employment baseline shall be the total number of active full-time and part-time employees at the impacted business's place of operation that were La. residents on May 14, 2020.

Proposed law defines "new jobs" as employment with an impacted business where each employee was employed by the impacted business at its place of operation, the employee was a La. resident, the employee's hire or rehire date was on or after May 15, 2020, and the employee was paid, as a base wage, at least the federal minimum wage excluding tips, bonuses, and commissions.

Proposed law requires the initial tax credit amount to be based on new jobs and annual payroll created between May 15, 2020, and Dec. 31, 2021. Further provides that a business shall be eligible for a credit for each year that it maintains or exceeds the minimum required new jobs and annual payroll as provided in proposed law.

Proposed law limits eligible payroll to \$500,000 per impacted business per calendar year, limits impacted businesses from receiving the credit for more than three years, and prohibits a credit from being paid for any new job or payroll created after Dec. 31, 2023.

Proposed law provides for the application, administration, payment, and recovery of the tax credit. Further provides that if the tax credit amount exceeds the taxpayer's tax liability for that same period, then unused credit amounts may be carried forward as a credit against subsequent tax liability for a period not to exceed five years.

Proposed law prohibits a business from receiving any other nondiscretionary statutory incentive administered by DED for any payroll expenditures for which the business has received a tax credit pursuant to proposed law.

Proposed law authorizes DED, in consultation with DOR, to adopt and promulgate rules and regulations as are necessary to implement proposed law. Rules promulgated shall be subject to oversight of the House Ways and Means and Senate Revenue and Fiscal Affairs Committees.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Adds R.S. 51:3122)