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# Find Your Way to a Lower Tax Rate in Louisiana

## An ADP® Webinar

Wednesday, July 18, 2012

12 PM Eastern



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# Housekeeping

- This is one of a number of complimentary webinars that ADP offers to Finance and HR professionals each year
- Today's webinar will last for 60 minutes, ending at 1 PM Eastern
- The last 10 minutes of today's program have been reserved for Q&A
- A .pdf copy of today's slides is available right now for download
- CPE and/or RCH certificates will be emailed to those who qualify (live webinar only) within 30 days of today's broadcast
- Please participate in our brief survey at the conclusion of today's webinar



## CPE Credit

- **Are you planning to apply for CPE and/or RCH credits for attending today's webinar?**
  - A. CPE Credit Only
  - B. RCH Credit Only
  - C. Both CPE & RCH Credits
  - D. No
  - E. Not Applicable

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# About ADP

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# ADP – Tax Credit Services

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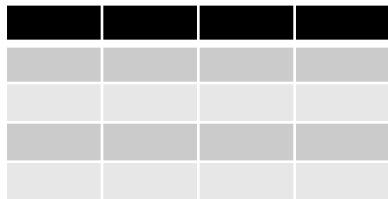
**Unparalleled Technology**



**Thorough, Detailed Screening**



**State & Local Incentives Database**



**The Native American Database (Indian Employment Credit)**



**Geographic Mapping Tools for Zone Database**



**The California Enterprise Zone**



# Today's Panel



**Vaqar Khan**

***ADP***

Senior Manager, Southwest Region



**Heath Williams**

***LED***

Director, Digital Media



**James Glass**

***Walmart***

Senior Manager, Credits & Incentives

# Agenda

- Introductions
- Louisiana Business Climate Overview
- Louisiana Quality Jobs
- Louisiana Enterprise Zone (LAEZ)
- Louisiana Digital Media Tax Credits
- Wrap-up
- Q&A



## Polling Question #1

- **How is your company taking advantage of state tax credits and incentives?**
  - A. We prepare state credits and incentives “in house”.
  - B. We outsource our state credits and incentives work.
  - C. We currently don’t capture any state credits and incentives.
  - D. I am unsure.

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# What Makes Louisiana So “Business Friendly?”

- **Louisiana companies have access to a wealth of programs and incentives to help them grow and prosper**
  - Every day more businesses are taking a serious look at Louisiana
  - They see bold new leadership, aggressive business incentives and a wealth of business opportunities
- **Louisiana has more than 55 available credits**
  - Most of these opportunities are not retroactively available
  - A business has to obtain precertification before they start a project
  - However, these opportunities can generate significant refund opportunities



# Louisiana Facts

## ■ Outperforming the U.S. and the South:

- Since the beginning of the recession in 2008, Louisiana has outperformed the U.S. and the South on a regular basis, experiencing record years for economic development

## ■ Following a trend that began in 2008, Louisiana has earned it's highest position ever on business climate rankings:

- **Site Selection** magazine ranked Louisiana's business climate No. 7 in the U.S. in it's November 2011 issue
- **Area Development** magazine ranked Louisiana No. 6 among the Top States for Doing Business in 2011
- **Business Facilities** magazine named Louisiana FastStart™ the nation's best workforce program
- **Pollina Corporate Real Estate** named Louisiana the most-improved state in the nation in it's ranking of business friendly states
  - The 2010 report stated, "We have noticed an increase in the number of companies that are considering a move to the state or want to have the state evaluated as a potential location"
- **Southern Business & Development** magazine named Louisiana the 2011 State of the Year, the third consecutive year Louisiana has been honored as State/Co-State of the Year
  - Louisiana earned the highest project score per capita in the magazine's history
- Comprehensive governmental ethics reform propelled Louisiana from 44<sup>th</sup> to 1<sup>st</sup> in the Center for Public Integrity's legislative financial disclosure rankings

# Louisiana Credits & Incentives

Credit / Incentive	Program Qualified Investment
Louisiana Digital Media	\$26.7 Million
Louisiana Quality Jobs	\$7.07 Billion
Louisiana Enterprise Zone	\$2.48 Billion

Source: Louisiana Economic Development 2011

# Louisiana Business Climate Overview & Louisiana Quality Jobs



**Vaqar Khan**

**ADP**

Senior Manager, Southwest Region

# Louisiana Quality Jobs Program Overview

- **Provides a cash rebate to companies creating well-paid jobs and promote economic development**
- **Benefits:**
  - 5% - 6% rebate on annual payroll expenses for up to 10 years, and:
  - Sales tax rebate on capital expenditures, or;
  - 1.5% investment tax credit on qualifying expenses

# Louisiana Quality Jobs Program

- **Eligibility:**
  - Business must be in one of the eligible industries or
  - At least 50% of annual sales out-of-state or
  - Must be located in a LED designated distressed region.
- **Ineligible:**
  - Retail employers
  - Business associations and professional organizations
  - Employers engaged in the gaming industry
  - Attorneys
  - Real estate agents, operators, and lessors
  - Automotive rental and leasing
  - Solid waste disposal, sewage systems, and water systems businesses

# Louisiana Quality Jobs Program

## ▪ Job Requirements

- Minimum of five net, new jobs created within three years of the contract effective date
- Full-time employees (30 hours per week)
- Provide health care benefits
- Value of the plan is the actual cost for the individual coverage
- Basic health care benefits do not include dental, vision, or life

# Louisiana Quality Jobs Program

## Minimum Annual Gross Payroll Requirements

Amount of Employees	Payroll Requirement
≤ 50 Employees	\$250,000
> 50 Employees	\$500,000

## Wage and Health Care Benefit Requirements

Wage Amount	% Rebate
\$14.50/hr	5%
\$19.10/hr	6%



# Louisiana Quality Jobs Program

- **Baseline Report Requirements (Existing Employees):**
  - Four month Olympic average
    - Need four months of operation to use the Olympic average, otherwise if three or less months of operation prior to contract effective date, average only the months with employment
  - These minimum requirements must be met in the third fiscal year, regardless of whether or not it was met in the previous years

Note: Olympic average: An average during a 5-year period, dropping the highest and lowest values.

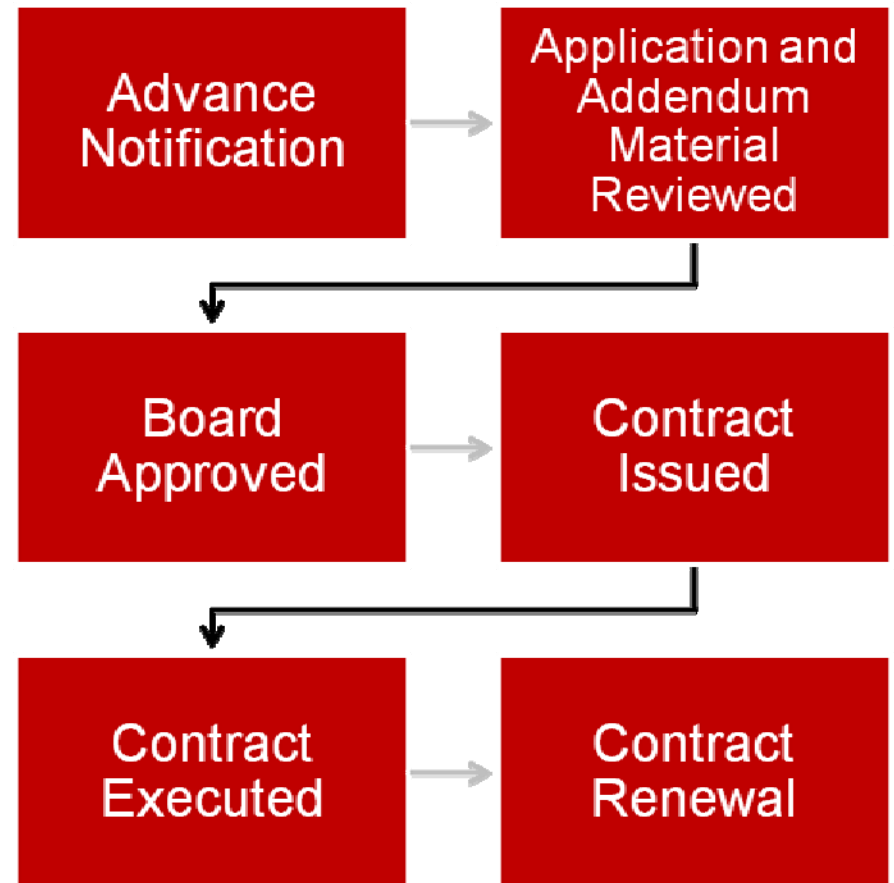
# Louisiana Quality Jobs Program

## ■ Basic Application:

- Advance Notification Fee: \$100
- Application Fee: \$200-\$5,000
- Due 18 months after hiring begins, but not later than 24 months after the Advance Notification was filed

## ■ Application Addendum Material:

- Certification of Primary Qualification
- Minimum insurance requirements



# Louisiana Quality Jobs Program

## ▪ **Filing Forms:**

### **1) Pre-Application:**

- Advance Notification and \$100 fee
- Disclosure Authorization

### **2) Application, Approval & Contract**

- Application, addendum material and fee (\$200 to \$5000)/Certification of Primary Qualification/Medical Insurance Info

### **3) Post-Approval Compliance**

- Contract
- Annual Certification Report
- Employee Certification Report
- Project Completion Report
- Affidavit of Final Cost and \$100 fee

# Louisiana Quality Jobs Program

## ■ Annual Certification Report

- Due annually within six months after the close of the fiscal year
- Must be filed annually throughout the contract period
- Explanation/summary of the BHBP or HIC and the schedule of rates breakdown for the employer and employee share of plan costs
- Quarterly wage reports (ES-4/SUTA)
- Current Certification of Primary Qualification
- Employee Baseline Report
- Annual Rebate Spreadsheet

# Louisiana Quality Jobs Program

- **Job Requirements (*If seeking Sales & Use or Investment Tax Credit Rebate*)**
  - Minimum of five permanent net new direct jobs within the first 24 months of the contract effective date OR
  - Increase the current nationwide workforce by 10% (a minimum of one permanent net new direct job) within the first twelve months of the contract effective date
- **Certification Requirements:**
  - Minimum of 35% of all net new jobs must meet one of the four certification requirements:
    - Residency
    - Lacking basic skills
    - Public assistance
    - Unemployable by traditional standards

# Louisiana Quality Jobs Program

- **Document Process *(If seeking Sales & Use or Investment Tax Credit Rebate)***
  - Maximum period of thirty months (up to four project periods per 10-year QJ contract)
  - QJ (Additional SU/ITC Period) Advance Notification is required per project period (prior to start date of additional period)
  - QJ (Additional SU/ITC Period) Application is required per project period (must be filed within 90-days after this project period is complete)
  - ECR Summary Sheet
  - New Employee List
  - Average Calculation Sheet
  - ES-4/SUTA Quarterly Report of Wages Paid
  - Documents are due annually by May 31<sup>st</sup>

# Louisiana New Competitive Projects Payroll Incentive

- **Overview:**

- This incentive provides a rebate valued at up to 15% of new job payroll each year for ten years

- **Eligibility:**

- State offers this incentive on qualifying new jobs in specific types of durable goods manufacturing (e.g., auto, batteries, household appliances, computers), pharmaceutical manufacturing, data services and potentially other sectors

- **Program Description:**

- The rebate is valued at up to 15% of payroll for eligible new direct jobs with healthcare benefit
- Projects also qualify for a related capital investment incentive (rebate of 4% sales/use tax on materials, machinery, furniture or equipment or a 1.5% refundable investment tax credit
- Payroll Incentive would be offered each year for ten years, subject to approved contract terms

## Polling Question #2

- **Is your company currently administering Quality Jobs credits and incentives “in house,” or do you outsource the work related to these programs?**
  - A. We handle “in house” and intend to continue doing so.
  - B. We handle “in house,” but are considering outsourcing.
  - C. We outsource the work.
  - D. We do not take advantage of these credits at all.

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# Today's Panel



**James Glass**

***Walmart***

Senior Manager, Credits & Incentives

# Louisiana Enterprise Zone Program

- **What are Enterprise Zones?**
  - Enterprise Zones are areas with high unemployment, low income or a high percentage of residents receiving some form of public assistance

# Louisiana Enterprise Zone Program

- **The Louisiana Enterprise Zone program provides incentives to businesses that create qualifying jobs in the State and hire at least 35% of their net new employees from targeted groups**
- **Incentives include:**
  - Job credit: income/franchise job tax credit for creating net new jobs AND
  - Investment incentive: a “monetizable” benefit through either (1) a sales and use tax rebate for qualified property, OR (2) a refundable investment tax credit on capitalized expenditures
  - Ineligible categories include:
    - Online gaming, video poker, residential development and churches
- **Eligible projects need NOT be located within a Louisiana Enterprise Zone, or involve capital expenditures**

# Louisiana Enterprise Zone Program

- **Advance planning is required!**
  - An “Advance Notification” form must be filed prior to the beginning of the project or before hiring has begun
- **Companies must increase employment by five net new hires or 10%, and 35% of new hires must be individuals from one of the following four targeted groups:**
  - Qualified Residency (generally, residents of a state enterprise zone)
  - Receiving public assistance (unemployment does not qualify)
  - Lacking “basic skills” (i.e., persons below 9th grade proficiency in reading, writing or math)
  - Designated “challenged” groups – e.g., physically challenged, ex-felons, etc.

# Louisiana Enterprise Zone Program

- **Job Tax Credit (“JTC”) Benefits and Limitations:**
  - \$2,500 income and/or franchise tax credit for each net new hire (increased to \$5,000 for targeted industries – aerospace, aviation and rubber manufacturing)
  - The JTC is claimed over a 60-month period, and may be carried forward for ten years from the year in which the JTC was earned
  - The JTC may be “passed through” by LLCs and Subchapter S corporations to owners listed on the EZ contract

# Louisiana Enterprise Zone Program

- **Sales and Use Tax Rebate Benefits and Limitations:**
  - Rebate of 4% State sales & use tax on eligible purchases (materials, machinery, furniture or equipment) where Louisiana sales tax was incurred
  - A rebate of the local portion of sales & use taxes is also available at the discretion of the local municipality – but requires advance approval
  - Claim period starts with the filing of the “Advance Notification” and ends with the Project End Date (within 30 months of the start date)
    - Only expenditures made within this time frame are eligible

# Louisiana Enterprise Zone Program

- **Investment Tax Credit (“ITC”) Benefits and Limitations:**

- Refundable credit equal to 1.5% of capitalized investment reported on the Federal Income Tax Return – excluding certain items and manufacturing equipment that are exempt from sales & use tax
- The ITC may not be claimed until the Project Completion Report is executed
- Expenditures made prior to the Advance Notification filing date can qualify as long as they are capitalized (e.g., engineering/architectural costs)

# Louisiana Enterprise Zone Program Process

## ▪ Application Process:

### 1. Pre-Application

- Advance Notification (Fee: \$100)
- Endorsement Resolution (Local Sales Tax Rebate)
- Disclosure Authorization

### 2. Application, Approval & Contract

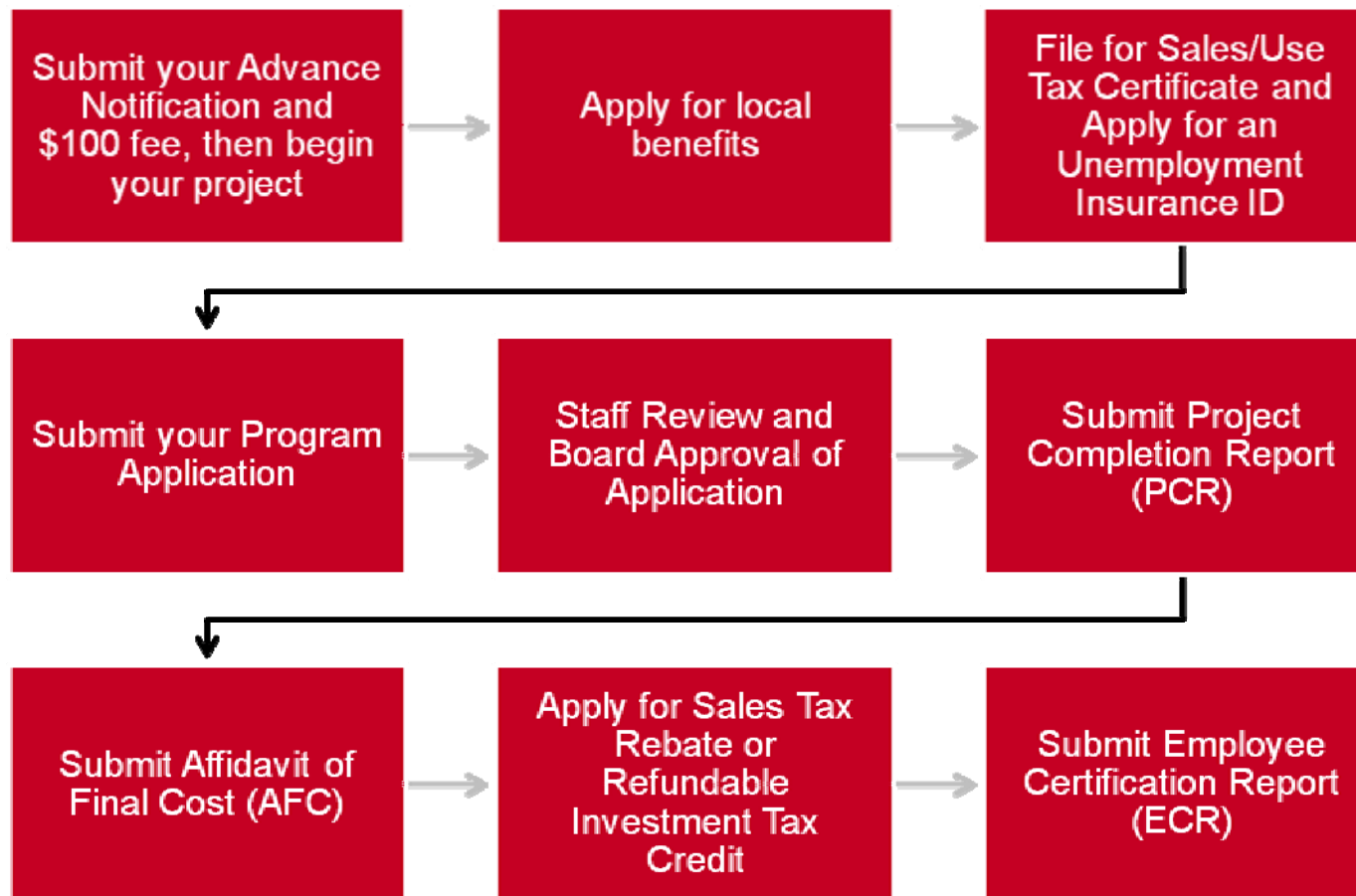
- Enterprise Zone Application (Fee Varies) and Approval
- Contract

### 3. Post-Approval Compliance

- Project Completion Report (“PCR”)
- Affidavit of Final Cost or Inspection/Audit Affidavit (Fee: \$100)
- Employee Certification Report (“ECR”) due May 31<sup>st</sup>



# Louisiana EZ Program: The Step by Step Process



# Louisiana Enterprise Zone Program

- **LED recently announced administrative changes to the program (Effective as of January 20, 2011)**
- **Changes (some of which are already effective) include:**
  - To be eligible for the program a minimum of five net full-time jobs must be created (previously five full-time or part-time jobs)
    - Part-time employees will no longer count towards the net new employee qualification requirement
  - No Job Tax Credits can be earned in a period where the 35% minimum is not met
  - The 35% minimum certification requirement must be maintained annually for the length of the contract
  - The extended deadline for filing the annual ECR is May 31<sup>st</sup>
  - The option to terminate a contract is now available

## Polling Question #3

- **Is your company currently engaging in, or planning to engage in, activities that will enable it to claim Enterprise Zone benefits in these states?**
  - A. Louisiana
  - B. Colorado
  - C. California
  - D. All or most of the above
  - E. Other States beside these
  - F. None of the above

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# Today's Panel



**Heath Williams**

**LED**

Director, Digital Media



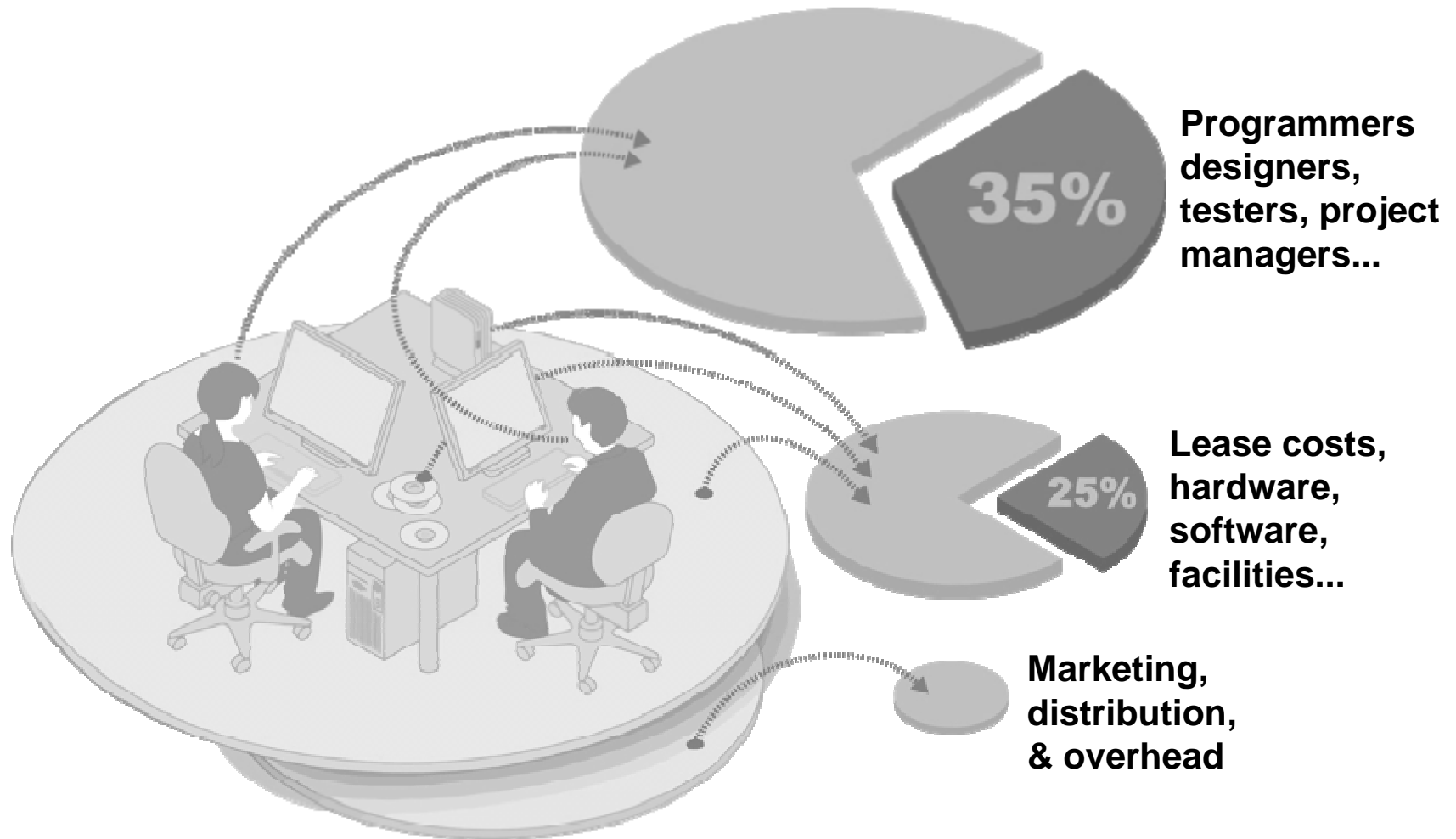
# Louisiana Digital Media Credits Program Overview

- **The Digital Interactive Media and Software Tax Credit program is designed to encourage entertainment technology development in the state and to develop and support a highly skilled, creative, technology driven workforce**
  - It targets gaming, simulation training, web applications and the next generation of distributed entertainment
  - The program provides :
    - tax credit of 25% of qualified production expenditures for state certified digital interactive productions in Louisiana
    - 5% tax credit for payroll expenditures for Louisiana residents

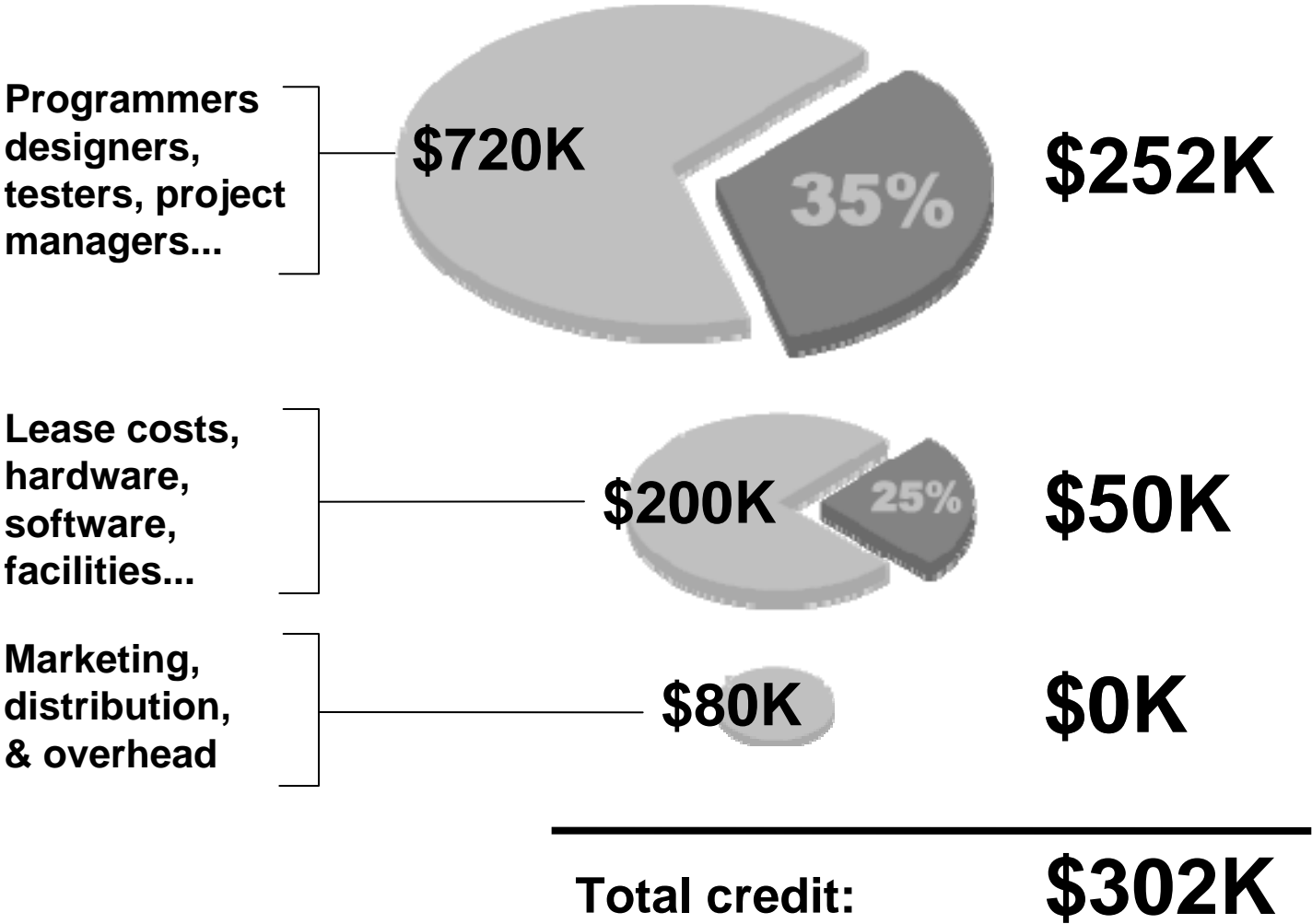
**WHAT IF YOU COULD REDUCE  
YOUR SOFTWARE DEVELOPMENT  
BUDGET BY A THIRD?**



# The Digital Media Incentive Cuts Development Costs



# Consider A \$1 Million Project



# Qualifications

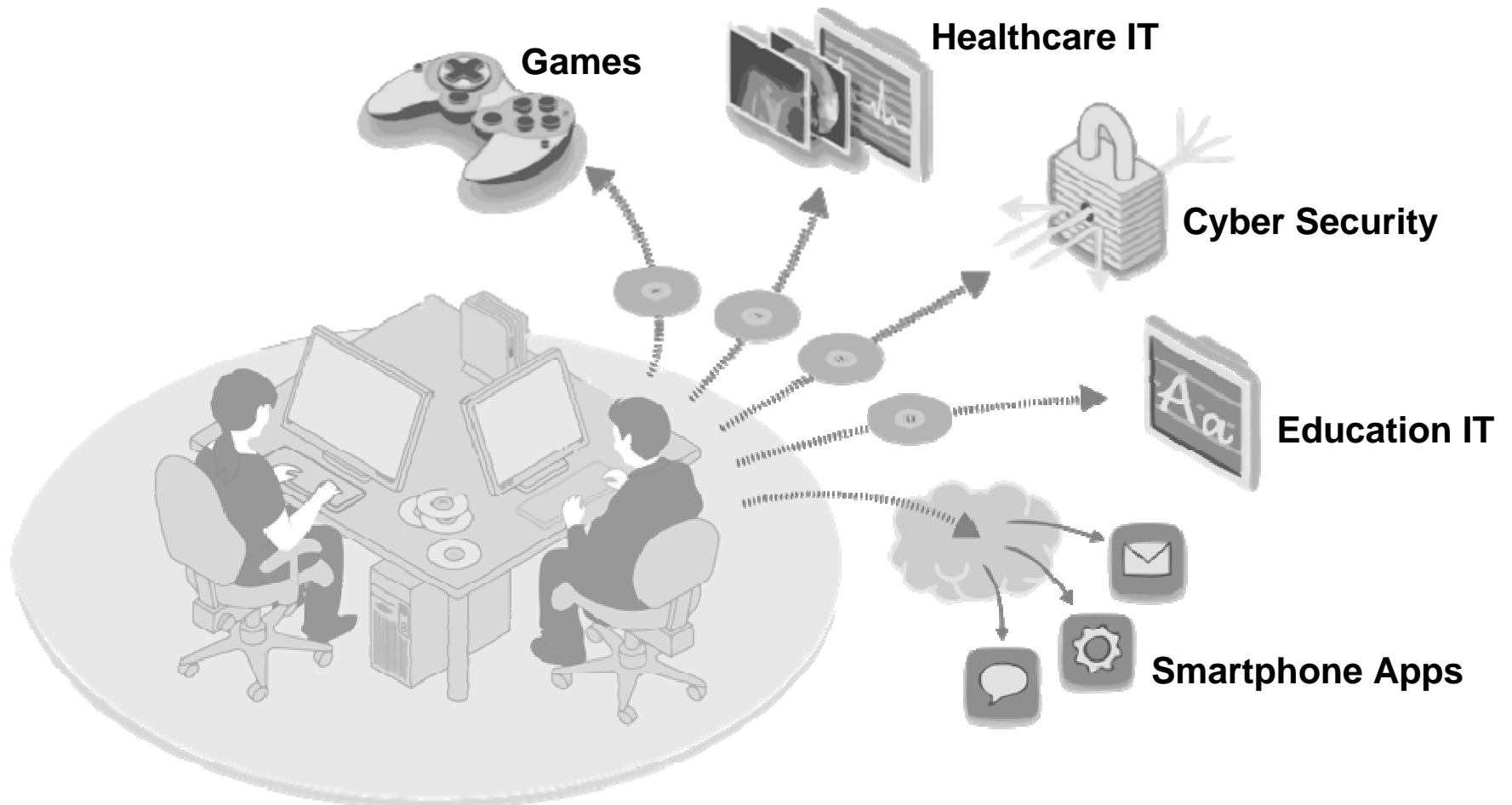
- If you create software for an external audience, you probably qualify





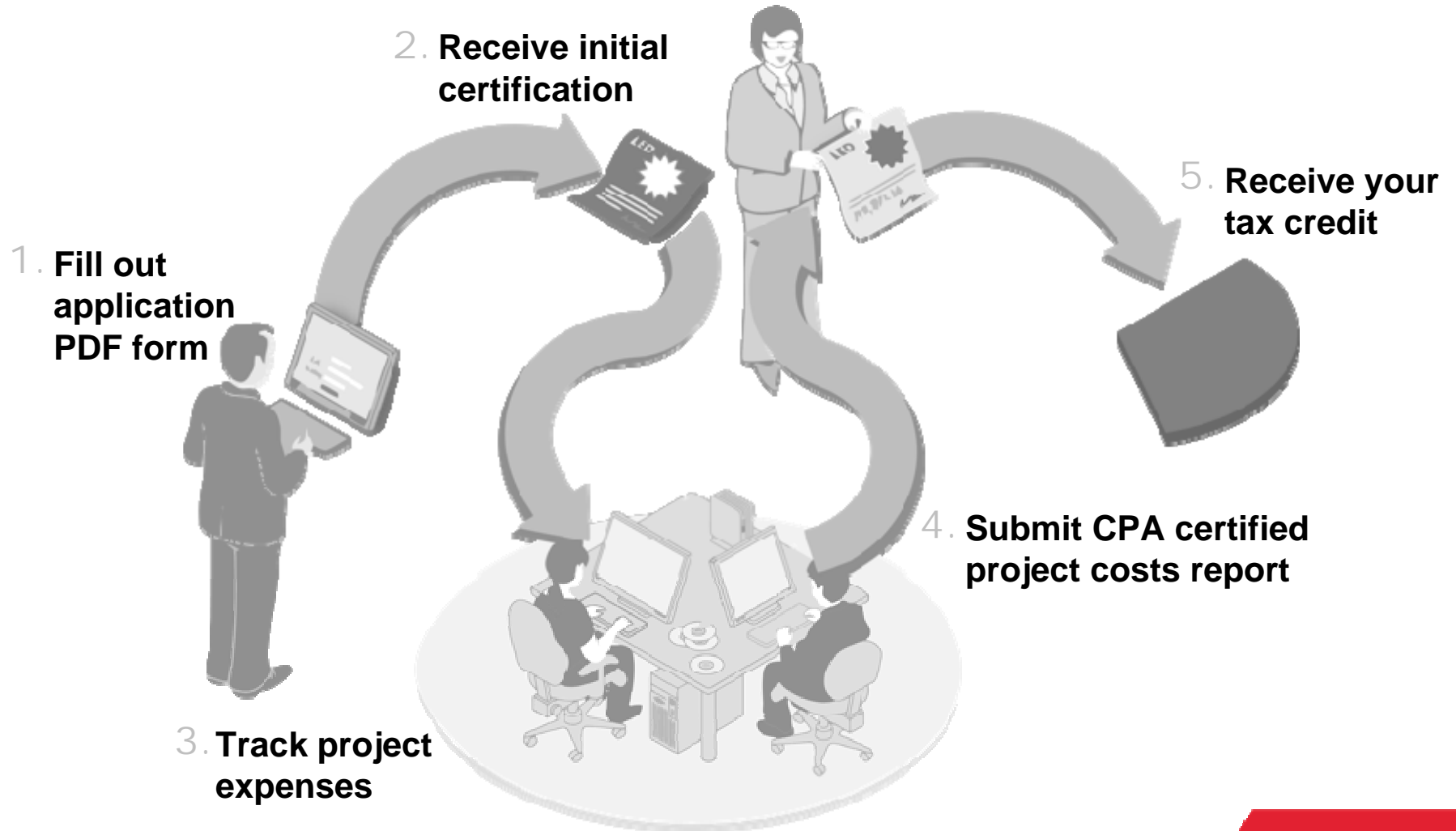
# Qualifications

- The digital media incentive covers commercial software



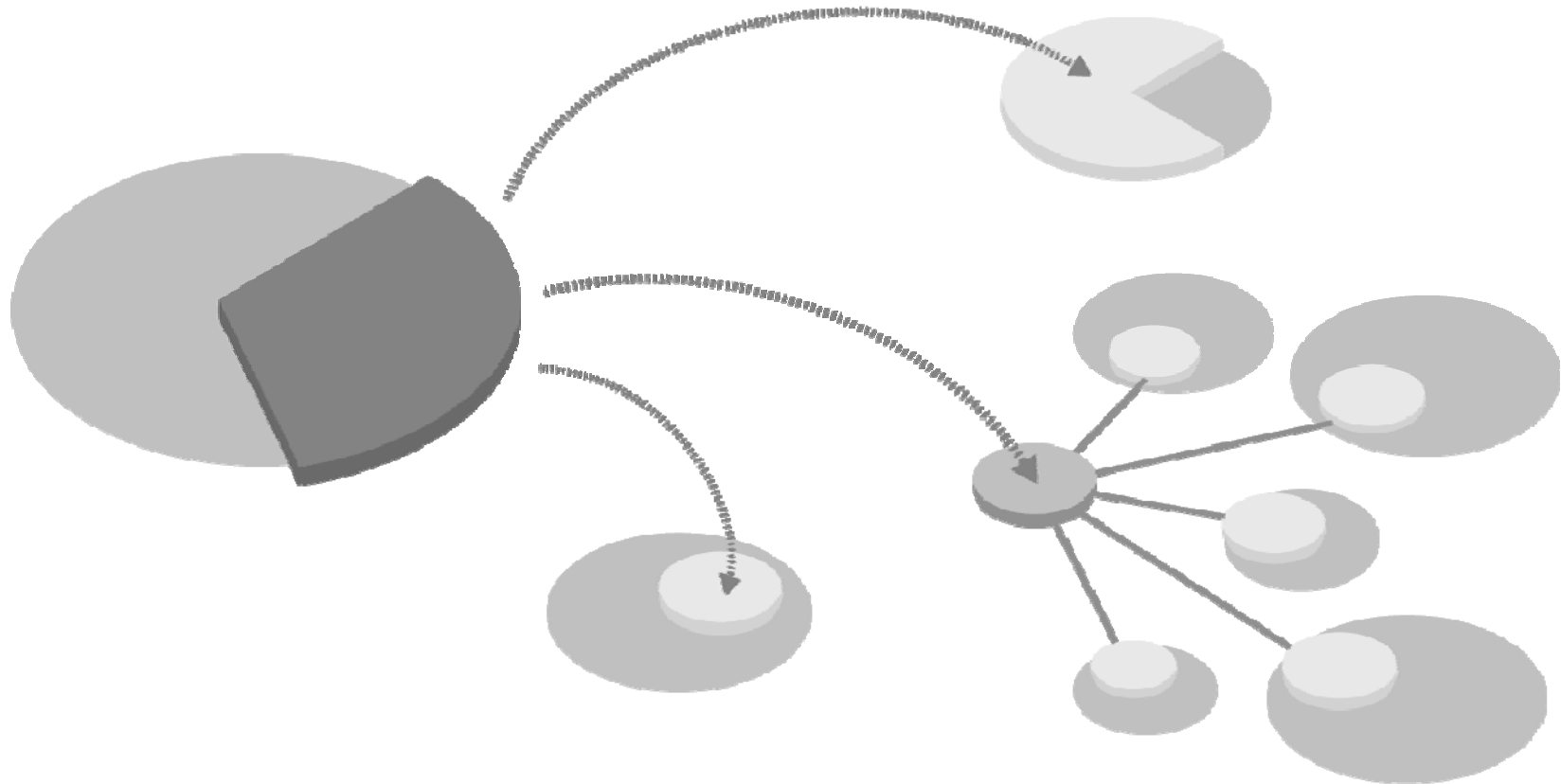
# The Digital Media Incentive Process

- The digital media incentive keeps the process simple



# What If We Do Not Have Tax Liability?

- **No Tax Liability? No Problem!**

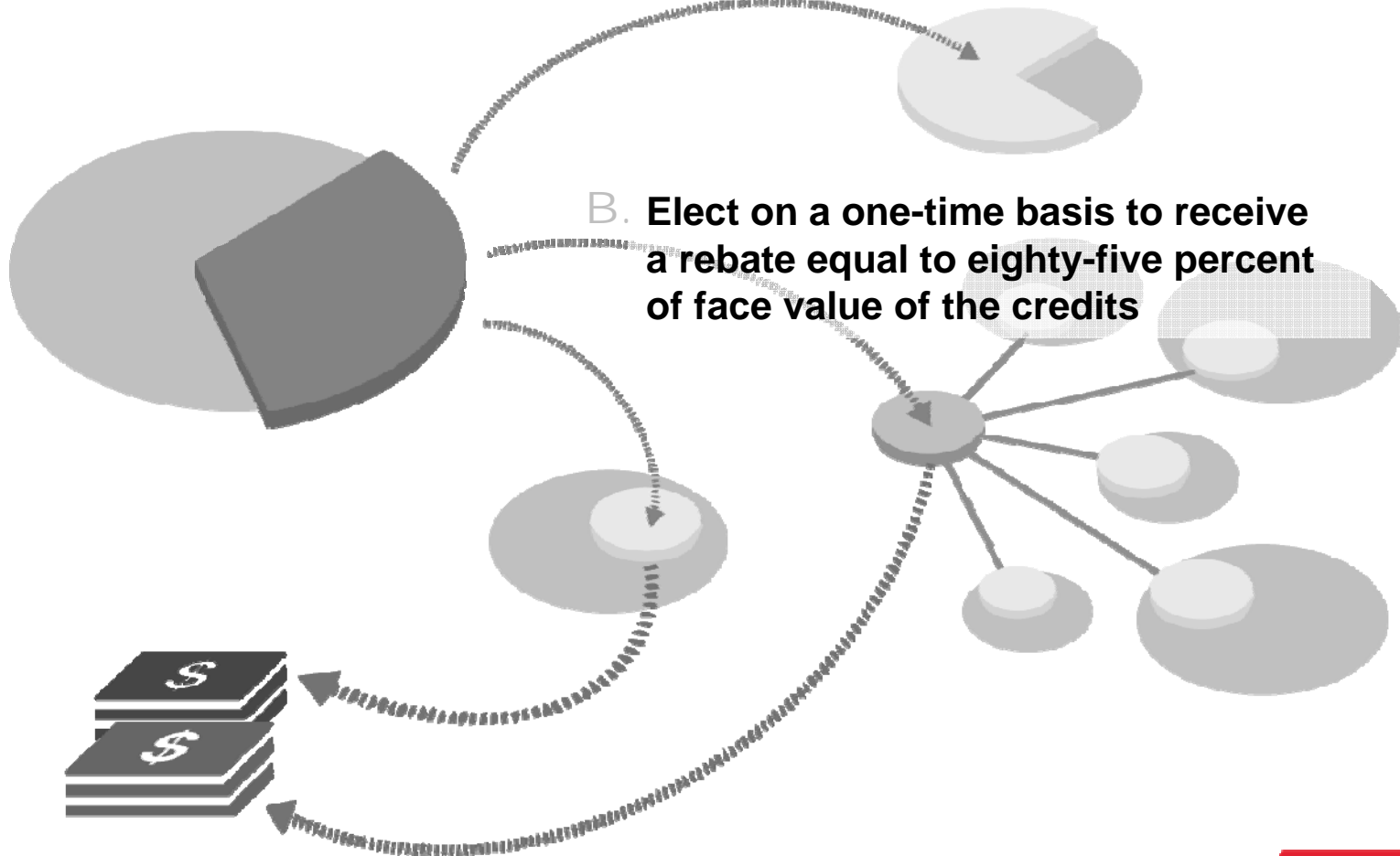


# Solution...

- **The digital media incentive converts to cash**

A. Use the credit to pay taxes you owe

B. Elect on a one-time basis to receive a rebate equal to eighty-five percent of face value of the credits



## **Additional Information – Digital Media**

- **Recent Program Changes**
- **Growth of the Program**
- **The Future**

## Louisiana Digital Media Incentive

- **The Digital Media Tax Credit program is just one of many attractive Louisiana economic development tools, and can be utilized in conjunction with or as an alternative to other incentives (e.g., property tax abatements) for qualifying projects involving job creation and capital investment**

## Polling Question #4

- **Has your company ever taken advantage of the Louisiana Digital Media Incentive?**
  - A. Yes, my company has taken advantage of this incentive.
  - B. No, but we plan on taking advantage of this incentive.
  - C. No, my company has not and will not take advantage of this incentive due to our business situation.
  - D. Unsure.

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## Wrap-Up

- **Review your current company locations – you may be in a zone and not realize that you could be capturing credits**
- **When considering expansion or investment, leverage enterprise zones to understand your potential opportunities**
- **ADP provides:**
  - One of the largest proprietary credit & incentive databases
  - State-of-the art mapping software in the industry
  - Dedicated regional practice teams to assist in understanding the compliance requirements



# Q&A



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