JONES WALKER
e*bulletin
TAX & ESTATES

May 2013 Vol. 61 tax@joneswalker.com

LOUISIANA TAKES HATCHET TO EXISTING TAX INCENTIVES, EXEMPTIONS: SPEAK THURSDAY OR FOREVER HOLD YOUR PEACE

Today, a group of Democrat and Republican members from the Louisiana House of Representatives released their Deficit Reduction Plan (the "Plan") for reducing the State of Louisiana's $525 million budget deficit for fiscal year 2013-2014. The Plan includes what the drafters refer to as "responsible" budget cuts and "reductions to tax expenditures" (resulting in increased tax revenues). Debate on the Plan by the House of Representatives is expected to be held on Thursday, May 9, 2013.

The entire text of the Plan can be found here.

Specifically, the Plan replaces the $525 million budget deficit with:

- $329,200,000 in "tax expenditure reductions"
- $106,000,000 in department budget cuts
- $27,000,000 in "other reductions"
- $20,000,000 in tobacco settlement refinance
- $45,000,000 revenue estimate conference increase

Highlights of the Plan's "Tax Expenditure Reductions:"

- The following tax deductions would be cut by 15 percent:
  1. Net operating loss deduction
  2. Net capital gains deduction

- The following tax exemptions would be temporarily cut by 50 percent:
  1. Nonresidential utilities
  2. Manufacturing machinery and equipment ("MM&E")

- The following tax credits would be cut by 15 percent:
  1. Motion Picture Investor Tax Credit
  2. Investment Tax Credit for Insurance Premiums
  3. Enterprise Zone Program
  4. Tax credits for rehabilitation of historic structures
  5. Industrial Tax Equalization
  6. New Markets Tax Credit
  7. Research and Development ("R&D") Tax Credit
  8. Quality Jobs Tax Credit
  9. Wind and Solar Systems Tax Credits
  10. Alternative Fuels Tax Credit
  11. School readiness tax credits

12. Louisiana Capital Companies Credit
13. Credits for musical and theatrical live performances
14. Credits for digital and interactive media and sound recording
15. Credits for angel investors
16. Credits for investors in brownfields
17. Credits for recycling manufacturing
18. Credits for milk producers
19. Sugarcane Transportation Credit
20. Apprenticeship Tax Credit

- The following programs would be modified:
  1. Vendor's compensation
  2. Exemptions for manufacturing
  3. University research and development

- The following programs would be repealed:
  1. New Jobs Credit (repealed)
  2. Corporate tax apportionment (single sales factor for corporate headquarters) (repealed)
  3. "Green jobs industries" (repealed)

- The following new or inactive incentives programs would be postponed:
  1. Corporate Headquarters Relocation rebate (postponed to June 30, 2016)
  2. Competitive Projects Payroll rebate (postponed to June 30, 2016)
  3. Procurement Processing Company rebate (postponed to June 30, 2016)
  4. School tuition organization rebate (postponed to June 30, 2016)
  5. Ports of Louisiana Tax Credit (postponed to June 30, 2017)

- The following severance tax changes would be included:
  1. Suspension of tax on horizontal drilling of new wells would be cut by 15 percent
  2. Inactive well exemption would be cut by 15 percent

- The following individual income tax deduction would also be cut by 15 percent:
  1. Net income taxes paid to other states

The Plan also includes a sharp criticism of what the drafters refer to as Louisiana Gov. Bobby Jindal's "desperate attempt to balance the budget … [using] nonrecurring revenues for recurring expenditures and other financing gimmicks." As such, the Plan eliminates the use of nonrecurring revenues for recurring expenditures, instead directing those revenues to areas provided for in the Louisiana Constitution, such as debt defeasance, retirement UAL, capital outlay for higher education, the Budget Stabilization Fund, the Coastal Protection and Restoration Fund, and highway construction.

Finally, the Louisiana Association of Business and Industry ("LABI") and the Louisiana Oil and Gas Association ("LOGA") issued calls to action to prevent increased tax burdens on businesses and the oil and gas industry, respectively.

Specifically, LABI estimates that the Plan would increase the tax burden on businesses by $315 million, particularly impacting manufacturers. LOGA estimates the impact on oil and gas business to be $208 million. Both groups are asking their members to contact their representatives.

— Matthew A. Mantle and Justin B. Stone

JONES WALKER

e*bulletin

TAX & ESTATES

May 2013 Vol. 61 tax@joneswalker.com

Remember that these legal principles may change and vary widely in their application to specific factual circumstances. You should consult with counsel about your individual circumstances. For further information regarding these issues, contact:

William M. Backstrom, Jr.
Jones Walker LLP
201 St. Charles Avenue
New Orleans, LA 70170-5100
504.582.8228 *tel*
504.589.8228 *fax*
bbackstrom@joneswalker.com

Tax & Estates Attorneys

Jesse R. Adams, III
William M. Backstrom, Jr.
Jason W. Bailey
Brandon Kelly Black
John C. Blackman, IV
Robert E. Box, Jr.
Timothy P. Brechtel
Andre B. Burvant
Melissa A. Campbell
Ricardo X. Carlo
Robert R. Casey
Susan K. Chambers
Megan M. Curran
William E. Dossett
David F. Edwards
John F. Fletcher
Janice Martin Foster
Kathryn Scioneaux Friel
John W. Gant, Jr.
Leon Gary, Jr.
Genevieve M. Hartel
Miriam Wogan Henry
Frederick T. Hoff, Jr.
Margarett A. Johnson
Jonathan R. Katz
Linda Bounds Keng
Matthew A. Mantle
B. Michael Mauldin
Louis S. Nunes, III
Pamela Prather
Rudolph R. Ramelli
Coleman Douglas Ridley, Jr.
Kimberly Lewis Robinson
Kelly C. Simoneaux
Hope M. Spencer
Justin B. Stone
Alex P. Trostorff
Edward Dirk Wegmann
B. Trevor Wilson

Follow the State and Local Tax Team on Twitter:
@JonesWalkerSALT