

**Economic Incentives**

In order to promote growth and fuel their economies, governments offer incentives to facilitate private enterprise and to encourage spending. Economic incentives provide governments with the opportunity to allocate public resources to the private sector in exchange for the economic benefits to be derived from successful commercial and business ventures.



Tax relief programs improve the climate for doing business in a certain area, and often the offer of direct tax relief plays a critical role in a manufacturer's decision to move to, or remain at, a particular location.

Some economic incentive programs have even been designed to promote business activity that will meet identified public goals, such as increased employment and urban revitalization.

There are a number of State and Local Economic Incentives currently available in the Baton Rouge area. The most often utilized incentives are outlined below:

**LOUISIANA STATE INCENTIVES**

**Special Districts**

**State Enterprise Zone (EZ) Program:** A jobs incentive program that provides Louisiana Income and Franchise Tax Credits to a business that creates permanent net new jobs for targeted groups. To be eligible for the State EZ Program, 35% of workers hired must be from one of four target groups. Benefits of the program include: A one-time \$2500 tax credit per certified new net job created; a 4% sales and use tax rebate on capital expenditures, or an investment tax credit equal to 1.5% of qualifying expenses.

**Economic Development Zone:** In Baton Rouge, the DDD and the Airport are designated Economic Development Zones (EDZ). Benefits received by projects located in an EDZ include: A \$2500 tax credit for each certified new job created by the project (a minimum of 5 new jobs must be created); an additional \$2,500 tax credit may be generated if a certified employee has been receiving payments under the Aid to Families with Dependent

Children Program. A state sales tax rebate on material used to construct or expand a business, as well as machinery and equipment used exclusively on the site is also available.

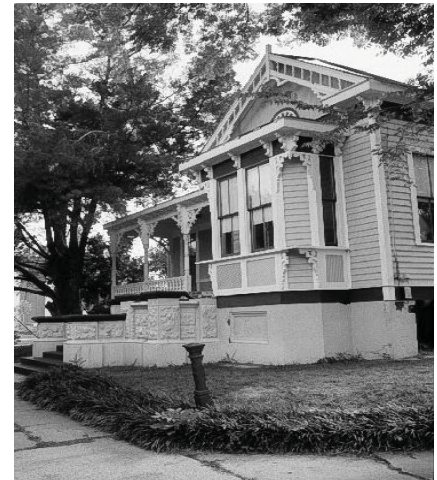
**Cultural District:** Businesses that have an established location within a designated Cultural Products District (such as the DDD) receive exemptions from state and local sales tax on the sale of original, one-of-a-kind pieces of artwork.

**Historic Tax Credits**

**State Commercial Historic Tax Credits:** For historic buildings and residences located in a Downtown Development District (DDD) and classified as historically significant by the Louisiana Division of Historical Preservation, the state offers a 25% tax credit based on eligible costs or rehabilitation.

This includes labor, materials, and related expenses. Eligible property must meet one of the following specifications:

Residential rental property or nonresidential depreciable property in the DDD; or, is listed on the National Register of Historic Places; or, is classified as historically significant by the Louisiana State Department of Culture, Recreation and Tourism.



**Restoration Tax Abatement (RTA):** Provides a Property Tax reduction for the renovation of existing structures that are listed in qualifying historic or economic development districts. Benefits include a 100% tax abatement, for up to 10 years.

**Other Business Incentives**

**State Quality Jobs:** Provides cash rebate to qualifying companies that create well-paid jobs and promote economic development. To qualify, a business must be a target industry; or, have total annual out-of-state sales of at least 50%; or, be located in an LED-designated distressed region. Benefits of the program include: A 5-6% rebate on annual payroll expenses, up to 10 years; 4% sales/ use tax rebate on capital expenditures, or an investment tax credit equal to 1.5% of qualifying expenses.

**Industrial Tax Exemption:** Provides Property Tax Abatement on a Louisiana manufacturer's qualifying capital investments and additions. Qualifying capital investments include: improvements to the land, buildings, machinery, equipment and other property that is part of the manufacturing process located at the site. Benefits include a 100% tax abatement, for up to 10 years.

**Research & Development Tax Credit:** Encourages existing Louisiana businesses to establish, or continue, research and development activities within the state. To be eligible, businesses must also have claimed the Federal R&D tax credit and/or received SBIR/STTR grant(s). Benefits include a tax credit up to 40%.

**Small Business Loan Program:** Loan assistance program which provides loan guarantees to banks to facilitate capital accessibility for small businesses. Benefits include loan guarantees up to 75% of loan (maximum \$1.5 million). State Direct Loan participations up to 40% are also available.

**New Markets Tax Credits:** Provides 39% federal income tax credit spread over 7 years and 25% state income tax credit spread over 3 years for certain equity investments in qualifying community development entities (in Baton Rouge this is the East Baton Rouge Redevelopment Authority). Investments under this program may support a variety of business and development activities, including: community facilities such as child care or health care facilities, charter schools, and for-profit or non-profit businesses. Equity investments eligible for state credits limited to \$7.5 million (\$15 million for targeted industries). Businesses must obtain federal credit to receive the state credit.



## EAST BATON ROUGE LOCAL INCENTIVES

**EBR Enterprise Zone (EZ) Program:** A local jobs incentives program similar to the State Program. Benefits of the EBR Program include a rebate of local sales taxes on construction materials and equipment for those taxes not already dedicated to the School Board or certain infrastructure improvements. Although a business does not have to be located within an designated EZ to participate in the State Program, projects located outside of a designated EZ will not be eligible for City-Parish tax rebates. Retail businesses must also be located in targeted Census Tracts. EZ tax rebates for EBR Parish are 1.9%.

The Planning Commission administers the Local Enterprise Zone Program for projects located in East Baton Rouge. Details are available in Information Bulletin 19, "Enterprise Zone Program"

**EBR Quality Jobs:** Local tax abatement program for qualifying companies that bring new payroll revenue into EBR Parish. Businesses must create at least 100 jobs at wages exceeding the regional industry average or the average regional wage as a whole. Companies must also finance their startup or expansion with Industrial Development Bonds to qualify. Benefits include tax abatement for up to 10 years of Parish-wide property taxes associated with the new investment (property currently on the tax rolls will not qualify).

**EBR Tax Exempt Bond Financing:** The East Baton Rouge Industrial Bond Board is the designated entity to issue tax-exempt bonds for the financing of economic development projects the Parish. Benefits to businesses include the lower costs of financing a project (this traditionally amounts to an average of a few percentage points below conventional financing methods). Local Industrial Bond Boards have the authority to develop a Payment-in-Lieu-of-Taxes (PILOT) arrangement in which a negotiated percentage of property taxes on the new facility would be abated during the amortization period (property taxes on existing land cannot be abated).

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## Leveraging Incentive Dollars

To increase the effectiveness of economic incentives, governments have started to promote partnerships among their programs and between private and public organizations. Where a local authority's budget might limit the scope of a project, funds from federal, state, non-governmental organizations, and private sector funds can be pooled to produce adequate financing to make the deal happen.

## Eligibility

Eligibility for Economic Incentives is based on qualifying factors, and approval is dependent on both state and local governing authorities.

## Additional Information

For more information about Economic Development Incentives please contact:

Louisiana Economic Development: 225-342-5675

Baton Rouge Area Chamber: 225-381-7125

East Baton Rouge Redevelopment Authority: 225-387-5606

### For more information contact:

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