Tax Incentive Reporting

Agency Compliance with Act 191 of the 2013 Regular Session

Financial Audit Services
Informational Report
Issued May 27, 2015

LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 27, 2015

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives

Dear Senator Alario and Representative Kleckley:

This report provides the results of our procedures to determine if those state agencies that administer tax incentives complied with the reporting requirements outlined in Act 191 of the 2013 Regular Session. This Act requires, in part, that agencies annually report to the Legislature the return on investment for their tax incentives and whether these incentives met their intended purposes.

I hope this report will benefit you in your legislative decision-making processes.

Sincerely,

Thomas H. Cole

Thomas H. Cole, CPA
First Assistant Legislative Auditor

SDL:EMS:BQD:EFS:aa

ACT 191 2015

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

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May 2015

Audit Control # 80150124

Introduction

Tax incentives resulted in a $1.2 billion and $1.4 billion loss in tax revenues to the state of Louisiana for the fiscal years ended June 30, 2013, and June 30, 2014, respectively.[1] Act 191 of the 2013 Louisiana Regular Legislative Session (Act 191) was enacted to provide the legislature with accurate and complete information on how much tax credits and rebates cost the state each year. This Act requires that, by March 1 of each year, every state agency that administers a "tax incentive" (tax credit or rebate) report to the Legislature information regarding whether or not the incentive met the intended purpose; whether or not the state received a positive return on investment through the incentive; and whether or not there were any unintended effects, benefits, or harm caused by each incentive, including any conflicts with other state laws or regulations. In compliance with Act 191, the Louisiana Department of Revenue (LDR) developed a reporting format for state agencies to use when preparing its reports.

Act 191 also requires the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs to conduct hearings on the reports every odd-numbered year to "analyze and consider tax incentives that have caused revenue loss to the state in any one of the three previous fiscal years." The committees may report to the legislature findings or recommendations determined through these hearings.

Using the 2013-2014 Tax Exemption Budget prepared by LDR,[2] we identified 79 tax incentives administered by six agencies that are subject to the reporting requirements of Act 191.

Exhibit 1
Agencies Administering Tax Incentives

Agency	Number of Incentives
Department of Revenue (LDR)	47
Louisiana Economic Development (LED)	21
Department of Children and Family Services (DCFS)	5
Department of Culture, Recreation, and Tourism (CRT)	3
Department of Environmental Quality (DEQ)	2
Department of Education (DOE)	1
Total	**79**

Source: Prepared by LLA using the 2013-2014 Tax Exemption Budget prepared by LDR

[1] 2013-2014 and 2014-2015 Tax Exemption Budgets prepared by LDR (unaudited)
[2] LRS 47:1517 requires LDR to prepare an annual tax exemption budget documenting information on the effects of each exemption, deduction, exclusion, and credit allowed by the state's tax laws.

We reviewed the tax incentive reports submitted to the Legislature in 2014 and 2015 to address the following objective:

Determine if state agencies that administer tax incentives are complying with the reporting requirements outlined in Act 191 of the 2013 Regular Session.

We found that three of the six agencies that administer tax incentives submitted reports as of March 23, 2015. As a result, the Legislature only received information on five of the 79 tax incentives administered by these agencies. In addition, of the 79 tax incentive reports agencies were required to submit to the Legislature by March 1, 2014, 70 (89%) were either not submitted or did not comply with all of the reporting requirements. According to the Tax Exemption Budgets prepared by LDR, the amount of revenue loss from tax incentives claimed in fiscal years 2013 and 2014 for which agencies provided no information or did not comply with reporting requirements totaled approximately $1.1 billion and $1.3 billion, respectively.

Appendix A contains agency responses; Appendix B provides our scope and methodology; and Appendix C provides a complete list of tax incentives administered by each agency, including their associated revenue losses for fiscal years 2013 and 2014.

Objective: Determine if state agencies that administer tax incentives are complying with the reporting requirements outlined in Act 191 of the 2013 Regular Session.

We found that not all agencies are complying with the requirements of Act 191 of the 2013 Regular Session. As a result, the legislature does not have the information it needs to determine whether the tax incentives have been successful in meeting their intended purposes and whether they have resulted in a positive return on investment for the state. According to the Tax Exemption Budgets prepared by LDR, the amount of revenue loss from tax incentives claimed in fiscal years 2013 and 2014 for which agencies provided no information or did not comply with reporting requirements totaled approximately $1.1 billion and $1.3 billion, respectively.

The results of our work, including a summary of the information contained in the 2014 reports relating to the timely submission, purpose/benefits, return on investment, and unintended effects of the tax incentives, are described in more detail below.

Three of the six agencies submitted tax incentive reports as of March 23, 2015. As a result, the Legislature only received information on five of the 79 tax incentives administered by these agencies.

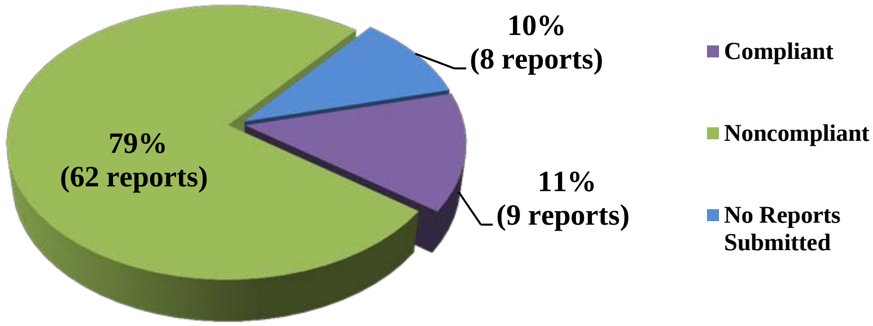
Although the 2015 reports were due to the Legislature on March 1, 2015, only three agencies submitted reports as of March 23, 2015. DOE and DEQ submitted their reports and CRT submitted reports for the two credits it administers that reported activity for the year. Reasons provided by the other agencies (DCFS, LED, LDR) for the lack of reporting included agency personnel being unfamiliar with the statute and its requirements, and industry analysis not being available until after March 1. The revenue loss reported in the 2014-2015 Tax Exemption Budget for the tax incentives with no reports was $1,323,435,018.

In their responses included in Appendix A, DCFS (page A.5) and LED (page A.4) indicated that their 2015 tax incentive reports have now been submitted. In subsequent discussions, DCFS and LED stated the reports were submitted on April 14, 2015, and March 30, 2015, respectively. LDR did not address its 2015 tax incentive reports in its response.

Of the 79 tax incentive reports agencies were required to submit to the Legislature by March 1, 2014, 70 (89%) reports were either not submitted or did not comply with all of the reporting requirements.

As shown in Exhibit 2, we found that eight (10%) of the 79 tax incentive reports due by March 1, 2014, were not submitted, and 62 (87%) of those submitted did not meet all of the reporting requirements. Based on the amounts provided in the 2013-2014 Tax Exemption Budget prepared by LDR, the amount of the 70 tax incentives claimed in fiscal year 2013 for which agencies provided no information to the Legislature or did not comply with reporting requirements totaled $1,104,803,910.

Exhibit 2
Percent of Reports in Compliance with Act 191



Source: Prepared by LLA using 2014 Act 191 reports submitted to the Legislature

Of the eight tax incentive reports that were not submitted for March 1, 2014, LED did not submit six, and LDR and CRT each failed to submit one. As a result, the Legislature received no information regarding whether these tax incentives were successful in meeting their intended purposes or resulted in a positive return on investment. The total amount of state revenue loss in fiscal year 2013 attributable to these tax incentives was $69,572 based on the 2013-2014 Tax Exemption Budget. Exhibit 3 provides a list of those incentives for which no report was submitted.

Exhibit 3 **No Act 191 Report Submitted**	
CRT - Cane River Heritage Tax Credit	LED - Mentor-Protégé Tax Credit
LDR - Credit for Costs to Reprogram Cash Registers	LED - Procurement Processing Company Rebate Program
LED - Atchafalaya Trace Heritage Area Development Zone Tax Exemption	LED - University Research and Development Parks
LED - LA Community Economic Development	LED - Urban Revitalization Tax Incentive Program
Source: Prepared by LLA using the 2013-2014 Tax Exemption Budget and reports submitted to the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs	

Of the 62 reports that did not meet all of the Act 191 reporting requirements, LDR submitted 46, LED submitted 15, and DEQ submitted one. These 62 noncompliant reports were for tax incentives with a related revenue loss of over $1.1 billion.

As stated previously, the Act 191 reports are intended to provide the Legislature with information necessary to evaluate the cost of tax incentives as compared to the benefit that the State receives as a result of those incentives. Each report must meet requirements per Louisiana Revised Statute (R.S.) 47:1517.1, which include:

- be submitted by March 1 of each year;
- say whether or not the incentive had been successful in meeting its purpose;
- say whether or not the state received a positive return on investment; and
- say whether or not there were any unintended effects, benefits, or harm caused by each incentive, including whether it conflicts with other state laws or regulations.

Exhibit 4 details compliance with Act 191 requirements by agency. Those reports submitted within a week of the due date were considered timely for the purposes of this report. A summary of the information contained in the 2014 reports follows this exhibit.

Exhibit 4: Agency Compliance with Act 191 Requirements

Agency	Total Tax Incentive Reports Submitted	Timely Submission	Purpose/ Beneficiaries	Return on Investment	Unintended Effects
LDR	46	46	46	-	46
LED	15	0	15	10	15
DCFS	5	5	5	5	5
CRT	2	2	2	2	2
DEQ	2	2	2	1	2
DOE	1	1	1	1	1
Total	**71**	**56**	**71**	**19***	**71**

***** Six of these tax incentives had no activity in FY13; however, the departments still completed the ROI section. Because there was no activity, no ROI could be calculated.

Source: Prepared by LLA using reports submitted to the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs

Summary of Information Contained in the 2014 Tax Incentive Reports

Timely Submission

Though most of the reports submitted in 2014 were submitted by the March 1 deadline or within a reasonable time thereafter, the incentive reports submitted by LED were received on April 11, 2014, after the 2014 session convened. In addition, LED did not use the prescribed format developed by LDR, which makes it more difficult to locate relevant information.

Purpose/Benefits

All of the tax incentive reports submitted included information regarding the intended benefit and purpose. While agencies reported that there were no incentives not meeting the intended purpose, LED reported that the Enterprise Zone Program does provide a broader benefit than intended.

Return on Investment

Of the 71 reports submitted, 15 had no activity in fiscal year 2013; therefore, no return on investment (ROI) could be calculated. Of the remaining 56 reports submitted in 2014, only 13 (23%) included data to calculate ROI. While LDR submitted reports for 46 tax incentives that generated a revenue loss of more than $818 million in fiscal year 2013, none of these reports included data necessary to calculate a return on investment related to the incentive. As a result, the legislative committees charged with making decisions to change or eliminate costly incentives are limited by the poor response to this reporting requirement.

Exhibit 5 provides a summary of the calculated return and the basis of that calculation for every $1 provided in incentives in fiscal year 2013 for the 13 incentives for which data was reported.

Exhibit 5: Reported Return on Investment by Basis			
Agency	**Tax Incentive**	**FY13 Revenue Loss**	**FY13 ROI**
Based on Certified Spending			
LED	Motion Picture Investor Tax Credit[3]	$148,203,276	$4.75/5.19*
DEQ	Purchase of Qualified New Recycling Manufacturing or Process Equipment and/or Service Contracts	$5,760,055	$5.00
LED	Musical and Theatrical Production Tax Credit[4]	$4,948,816	$5.94/8.44*
LED	Digital Interactive Media and Software Tax Credit	$3,798,054	$4.05*
LED	Sound Recording Investor Tax Credit	$177,421	$5.00*
Based on Federal Grants			
DCFS	School Readiness Child Care Directors and Staff Credit	$7,093,663	$1.20**
DCFS	School Readiness Child Care Provider Credit	$5,506,820	$1.03**
DCFS	School Readiness Child Care Credit	$2,872,501	$0.92**
DCFS	School Readiness Fees and Grants to Resource and Referral Agencies Credit	$468,784	$1.05**
DCFS	School Readiness Business Supported Child Care Credit	$421,640	$1.41**
Based on Direct Investment			
CRT	Credit for Rehabilitation of Historic Structures	$52,811,147	$6.03
CRT	Rehabilitation of an Owner Occupied Residential or Mixed-use Property	$303,818	$7.63
Unknown Basis			
LED	Louisiana Quality Jobs Program	$51,318,246	$2.32***

* Based on 2012 analysis
** After discussions with DCFS, ROI was calculated using information provided in the Act 191 reports submitted by the department.
*** Provided by LED from a 2009 analysis. The calculation method was not provided.
Source: Prepared by LLA using reports submitted to the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs and the 2013-2014 Tax Exemption Budget prepared by LDR

There were no specifications in the statute regarding the method of calculation used to determine the ROI related to each incentive. Methodologies used included the following:

- <u>Based on Certified Spending</u> - calculated using certified spending in the state as a result of the tax incentive divided by the fiscal year revenue loss. Certified spending in the state is the total of qualified expenditures, usually verified by a CPA, certified by the administering agency of each tax incentive. For instance, certified spending for the Motion Picture Investor Tax Credit is based on expenditures made by a motion picture production company in a state-certified production. R.S. 47:6007 defines what these expenditures are and how they are certified by LED and, finally, how the credits are to be claimed by the taxpayers. Each credit has specific requirements defined within the applicable statutes, as listed in Appendix C. The administering agencies preparing calculations of return

[3] The 2012 analysis provided by LED reported sales per dollar of tax credit for film production ($4.75) and film infrastructure ($5.19).
[4] The 2012 analysis provided by LED reported sales per dollar of tax credit for live performance production ($5.94) and live performance infrastructure ($8.44).

on investment using the certified spending basis should be able to support the total expenditures used with detailed certified expenditure reports.

- Based on Federal Grants – After discussions with DCFS, the ROI from incentives administered by the department was calculated by dividing the amount of tax credits used as state match for federal funds by the fiscal year revenue loss.

- Based on Direct Investment - The ROI from incentives administered by CRT was calculated using direct investment in income-producing buildings, which is defined as the eligible costs and expenses incurred during the rehabilitation of certain historic structures. For example, eligible costs and expenses for the Rehabilitation of Historic Structures tax credit are defined in Section 47c(2)(A) of the Internal Revenue Code of 1986. Taxpayers must submit an application to CRT, and the credit is earned as a percentage of the eligible costs and expenses. Therefore, CRT should also be able to support the total costs and expenses used with reports provided by taxpayers.

Unintended Effects

The tax incentives established by Louisiana Revised Statutes are designed and intended to support development in certain industries or limit the tax burden on specific individuals or endeavors. Certain side effects of a tax credit may not be foreseen when established by the legislature and may result in a negative impact to the state. It is also important for any conflicts with laws and regulations to be reported to the legislature.

All submitted reports addressed this reporting requirement. Most of the reports stated that no inadvertent effects or legal conflicts had been identified; however, there are some reports that included unintended side effects. Some included unintended benefits such as the ability to use incentives to help meet maintenance of effort requirements for certain federal programs; increased access to recycling services; and parents choosing higher quality care for their children. Unintended negative effects were reported in five of the reports submitted in 2014, as summarized in Exhibit 6. Reporting negative side effects allows the legislature to evaluate the tax incentives and applicable statutes to eliminate or reduce the unintended negative impact on the state, which could include additional revenue loss due to unintended beneficiaries.

Exhibit 6 Unintended Negative Effects	
Tax Credit	**Unintended Negative Effects**
Insurance Company Premium Tax Credit	LDR reported that R.S. 22:832, *Reduction of tax when certain investments are made in Louisiana*, and R.S. 22:2058, *Powers and duties of the association*, reduce the impact of the premium tax credit
Digital Interactive Media and Software Tax Credit	LED has found related party transactions to be problematic when submitted as qualifying expenditures. It can be difficult to ascertain the economic reality of the transaction - whether it supports development of the targeted industry and creates a benefit to the state - and there is significant potential for abuse and distortion of the program intent. LED has also identified problems with the quality of audited expenditure reports submitted by applicant companies.
Enterprise Zone Program	LED reported that a capital expenditure incentive is available without a dollar limit and can result in a cost in excess of the benefit. They also reported that major users include national retail chains. Some studies have shown that when national retail chains open in a local economy there is no net increase in jobs, as some existing small retailers close or downsize as a result of the new competition.
Motion Picture Investor Tax Credit	LED has found related party transactions to be problematic when submitted as qualifying expenditures. It can be difficult to ascertain the economic reality of the transaction - whether it supports development of the targeted industry and creates a benefit to the state - and there is significant potential for abuse and distortion of the program intent. LED has also identified problems with the quality of audited expenditure reports submitted by applicant companies.
State Commercial Tax Credit for Historic Buildings	CRT reported that the overwhelming response to the program has led to an inability of allocated staff to keep up with the program demand.
Source: Tax incentive reports submitted by LDR, LED, and CRT in 2014	

Recommendation: All agencies that administer tax incentives should ensure their reports are submitted timely, include all components required by Act 191, and follow the format provided by LDR.

Summary of LDR Response: Management noted the oversight of one of its tax credits in 2014 and plans to include this tax credit in future Act 191 reporting.

LDR explained that the requirement to report return on investment (ROI) is an “unfunded mandate” that is an “impossible task given our staffing and information constraints.” The department ultimately decided that to report ROI would result in “academic dishonesty.” See Appendix A.1-3 for LDR’s full response.

Summary of LED Response: LED concurred that the 2014 and 2015 reports were not submitted by the reporting deadline, but explained that the reports were submitted after the deadline.

LED explained that three of the six tax incentives with no report were inactive and two have sunset provisions (as of August 15, 2010, and December 31, 2011). LED further explained that the Procurement Processing Company Rebate Program is administered by LDR. See Appendix A.4 for LED's full response.

> **LLA Additional Comments:** Act 191 of 2013 states that the provisions "shall not apply to programs which have a sunset date on or before July 1, 2009;" however, it does not address incentives with sunset dates after July 1, 2009. Although LDR is responsible for issuing rebates under the Procurement Processing Company Rebate Program, any rebate would be based on a contract between LED and a procurement processing company; therefore, we concluded that LED would be responsible for submitting the incentive reports.

Summary of DCFS Response: DCFS responded that the 2015 reports have since been completed and submitted. DCFS further explained that the administration of these tax incentives has now been shifted to the Department of Education for future reporting. See Appendix A.5 for DCFS's full response.

Summary of CRT Response: CRT responded that there have been no applications for the Cane River Heritage Tax Credit since its enactment; therefore, there was no information to report for this credit. See Appendix A.6 for CRT's full response.

APPENDIX A - MANAGEMENTS' RESPONSES

BOBBY JINDAL
Governor

TIM BARFIELD
Secretary

State of Louisiana
Department of Revenue

May 14, 2015

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 N. 3rd Street
Baton Rouge, LA 70804

RE: ACT 191 Audit Findings

Dear Mr. Purpera:

Overview:

Act 191 of the 2013 Regular Session mandated each state agency that administers a tax credit or tax rebate to submit to the legislature a report annually regarding each tax incentive that the agency administers. The stated purpose of the Act was to provide the legislature and the legislative auditor's office with accurate and complete information regarding how much tax credits and rebates cost the state each year. The Act further set forth the criteria for which the assessments of each incentive were to be developed. The statutory deadline set for filing said report is March **1ST** of each year. Finally, the Act mandated that the Department of Revenue develop and make available to all state agencies a form for use in preparation of their reports. DOR notes that no funding was appropriated to carry out said mandates. Nevertheless, DOR with the assistance of outside consultants developed the form and met jointly with all the affected agencies to answer any questions about the form.

Finding 1: Failure to submit the Credit for Costs to Reprogram Cash Registers.

DOR Response: Of the 47 tax credits or rebates administered by DOR, we inadvertently failed to report on the Credit for Costs to Reprogram Cash Registers. At the time that DOR was preparing its Act 191 Report, we were also preparing the Tax Exemption Budget as mandated by statute. Since the state's tax laws authorize a large number of tax credits and rebates, this is a monumental undertaking. The addition of an unfunded mandate, such as the Act 191 Report, stretched an already understaffed division to new limits. Additionally, it is somewhat understandable that this particular credit would have been left out due to the fact that, unlike the other credits listed, it is claimed on the sales tax return. DOR has noted this oversight and ensures the inclusion of this credit in future Act 191 reporting.

Finding 2: Return on Investment Reporting Requirement

Act 191 required an analysis of whether or not the state receives a positive return on investment from the business or industry for which the tax incentive is intended to benefit and any other economic benefits produced by such tax incentive. It is important to note at the outset that during committee testimony, DOR explained that this reporting requirement was an impossible task given our staffing and information constraints. However, this unfunded mandate is one that was taken on by the department with full intent to provide what information was available to us. DOR further notes that the level of reporting sought by the legislature can be and is done by other states on an average of 3-5 years and is funded. This level of reporting is labor intensive and data driven. The testimony of Dr. Terrell informed the committee of the pitfalls of the legislation and what was being requested of LDR. See below excerpts of the testimony:

> *I am testifying in part because my research team at LSU had a contract with LDR to assist with compliance with Act 191. Providing quality estimates of the items requested in Act 191 proves quite challenging in many cases.*
>
> *With regard to this bill:*
> *a. The cost of implementing the bill depends on the quality of the estimates desired, but I suspect it would be quite large. As Executive Director of the Division of Economic Development at LSU, I would immediately turn down a $250k contract to full comply with this act because I don't feel that amount of funding is even close to adequate to do a quality job.*
> *b. Determining the direct taxes that would be collected in the absence of an exemption, deduction, exclusion, credit, or rebates may be relatively easy in some cases, but could be quite difficult in some cases.*
> *i. For example, in the case of an exemption or exclusion, the taxpayer may currently not be required to report the dollar amount of the untaxed activity. In this case, the first step consists of estimating the dollar amount of the activity, relevant taxes and distribution of the taxes within each tax bracket.*
> *ii. Even if all data is available, one must account for marginal tax rates of those using the exemption, deduction, etc., so the initial loss is typically not accurately measured by just summing numbers on tax forms.*
> *iii. The numbers are not additive since removing one exemption or deduction could change the value of another exemption or deduction to taxpayers who move up or down in tax brackets.*

iv. Taxpayers also respond to incentives, so an accurate estimate of taxes lost would need to account for the fact that increasing taxes on an activity (eliminating the exemption, deduction, etc.) reduces the amount of that activity. The extent of this sensitivity is measured by "elasticities" in economics and varies by the type of good, service, or activity. One textbook example would be cigarettes (people don't respond to taxes) vs luxury yachts (people are very responsive to tax rates).

c. If the goal is to compute ***net*** *tax loss, one would want to subtract estimates of any revenues created from the estimated revenues lost. The benefits (revenues created) are likely to vary across each item, so a number of studies are likely to be required.*

d. Because the source of the revenues generated is likely to vary considerably across the item, the methodology is likely to differ across studies which will make the idea of obtaining consistent estimates difficult.

e. A contract like the one with LSU last year to "assist" with compliance does not ensure compliance.

f. I honestly do not have the information needed to estimate the cost of a credible study or set of studies at this point.

g. As a taxpayer, I certainly sympathize with goals set forth in the bill but would suggest perhaps narrowing the scope (at least initially) to ensure that compliance is feasible given limited resources.

In conclusion, Act 191 does not require the administering agency to report on economic benefits if none are identified. DOR attempted to address and identify the return on investment (economic benefit) of the credits it administers. Ultimately we decided that to address these issues absent direct knowledge of "but for" causality or an economic study, would result in academic dishonesty. Thus, we erred on the side of caution and adhered to sound economic policy.

Please feel free to reach out to our agency for any additional information or clarification is required by your office.

Sincerely,

Tim Barfield
Secretary

LED | LOUISIANA ECONOMIC DEVELOPMENT

Bobby Jindal
Governor

Steven Grissom
Secretary

May 13, 2015

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Tax Incentive Reporting-Agency Compliance with Act 191 of the 2013
Regular Session - LED

Dear Mr. Purpera:

We are in receipt of your report on compliance of Act 191 of the 2013 session and appreciate the opportunity to respond.

This letter is to serve as the official response to the findings relative to the objective of LLA to determine if state agencies that administer tax incentives are complying with the reporting requirements outlined in Act 191 of the 2013 Regular Session. LED concurs the March 1, 2014 and March 1, 2015 reports were not issued to the Legislature by the reporting deadline. In each year the report was submitted to the Legislature, although slightly past the prescribed date.

The report states LED did not use the prescribed format provided by LDR.
Act 191 does not require an agency to use the format designed by LDR. Upon review of the format, LED elected to use a different, and more informative, format from the one provided by LDR.

There were six programs which LED was cited as not reporting. The University Research and Development Parks program as well as the Urban Revitalization Tax Incentive program are inactive programs. The LA Community Economic Development program sunset on August 15, 2010 and the Mentor-Protégé Tax Credit program sunset on December 31, 2011. The Procurement Processing Company Rebate program is administered by LDR and the Atchafalaya Trace Heritage Area Development Zone Tax Exemption, now an inactive program, was previously administered by CRT. For these reasons, LED excluded these programs from the report.

We appreciate the opportunity to respond to the compliance report and LED will make every effort to adhere to all reporting deadlines.

Sincerely,

Anne G. Villa

Anne G. Villa
Undersecretary

Department of Children & Family Services
Building a Stronger Louisiana

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Bobby Jindal, Governor
Suzy Sonnier, Secretary

May 12, 2015

Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Act 191 of 2013 Reporting Requirements

Dear Mr. Purpera:

The following is submitted in response to your request dated April 30, 2015 regarding compliance with the above referenced reporting requirements.

The 2015 reporting package for Act 191 of 2013 has been completed and submitted to the President of the Senate, Speaker of the House, Chairman of House Ways and Means, and Chairman of Senate Revenue and Fiscal Affairs.

As you are aware, legislation has been enacted that transitions early childhood services from the Department of Children and Family Services to the Louisiana Department of Education. Included in such legislation are the School Readiness Tax Credits. Currently all staff and activities associated with the administration of School Readiness Tax Credits as defined by 47:1517.1 are housed at the Louisiana Department of Education.

Please note that any future reporting deadlines will be the sole responsibility of the Louisiana Department of Education.

Sincerely,

Suzy Sonnier,
Secretary

State of Louisiana

JAY DARDENNE
LIEUTENANT GOVERNOR

CHARLES R. DAVIS
DEPUTY SECRETARY

DESIREÉ W. HONORÉ
UNDERSECRETARY

OFFICE OF THE LIEUTENANT GOVERNOR
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
MANAGEMENT AND FINANCE

May 11, 2015

Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Act 191-Cane River Heritage Tax Credit Reporting

Dear Mr. Purpera:

The following is submitted in response to your request for reporting of tax incentives in accordance with Act 191 of the 2013 Regular Session of the Louisiana Legislature. The department has appropriately reported on the Rehabilitation of Historic Structures Credit as well as the Rehabilitation of Owner Occupied Residential or Mixed Use Property Credit. In reference to your finding that we failed to report on the Cane River Heritage Credit, there have been no applications for this credit since its enactment. We respectfully submit that because of this, there was no information to report on this credit.

Should you have any questions, please feel free to contact me at (225) 342-8201.

Sincerely,

Desireé Honoré Thomas, CPA, CGMA
Undersecretary

P. O. BOX 94361 • BATON ROUGE, LOUISIANA 70804-9361
PHONE (225) 342-8201 • FAX (225) 342-1503
WWW.CRT.STATE.LA.US

APPENDIX B: SCOPE AND METHODOLOGY

We conducted procedures to provide information to the Legislature on the response and impact of Act 191 of the 2013 Regular Legislative Session. Our objective was to determine if state agencies that administer tax incentives are complying with the reporting requirements outlined in Act 191 of the 2013 Regular Session.

To accomplish our objective, we performed the following steps:

- Reviewed requirements of Act 191
- Obtained the 2014 and 2015 tax incentive reports from the House Ways and Means Committee and the Senate Committee on Revenue and Fiscal Affairs
- Obtained and reviewed the fiscal years 2013 and 2014 tax exemption budgets to determine the incentives requiring Act 191 reporting and the responsible agencies
- Compiled the data reported by the tax incentive administering agencies
- Analyzed the tax incentive reports submitted for the 2014 reporting year
- Discussed Act 191 reporting requirements with personnel from the state agencies administering the tax incentives

APPENDIX C: ACT 191 TAX INCENTIVES

Tax Incentive	Legal Citation	FY 14 Revenue Loss	FY 13 Revenue Loss
Louisiana Department of Revenue			
1. Inventory Tax/Ad Valorem Tax	R.S. 47:6006	$452,676,421	$419,306,842
2. Net Income Taxes Paid to Other States	R.S. 47:33	86,173,191	71,427,762
3. Earned Income Tax Credit	R.S. 47:297.8	47,849,187	46,170,871
4. Credit for the LA Citizens Property Insurance Corporation Assessments	R.S. 47:6025	45,674,688	45,873,643
5. Ad Valorem Tax Credit for Offshore Vessels	R.S. 47:6006.1	44,987,189	41,457,576
6. Wind and Solar Energy System Credit	R.S. 47:6030	63,441,115	39,004,042
7. Vendor's Compensation	R.S. 47:306(A)(3)(a)	25,648,496	28,086,286
8. Credit for Ad Valorem Tax Paid by Certain Telephone Companies	R.S. 47:6014	22,643,842	24,097,188
9. Insurance Company Premium Tax	R.S. 47:227	25,503,898	23,602,003
10. New Markets Tax Credit	R.S. 47:6016	19,503,726	21,969,519
11. Credit for Certain Child Care Expenses	R.S. 47:297.4	18,638,764	18,299,092
12. Education	R.S. 47:297(D)	17,005,799	16,370,759
13. Ad Valorem Tax on Natural Gas	R.S. 47:6006	4,534,210	4,022,555
14. Sugarcane Transport Credit	R.S. 47:6029	2,744,431	5,733,693
15. Conversion of Vehicles to Alternative Fuels	R.S. 47:6035	4,148,005	3,464,055
16. Certain Disabilities	R.S. 47:297(A)	2,910,425	2,810,513
17. Milk Producers Tax Credit	R.S. 47:6032	1,555,702	1,810,000
18. Small-town Doctors/Dentist	R.S. 47:297(H)	907,732	1,098,387
19. Apprenticeship Tax Credit	R.S. 47:6033	1,505,674	957,844
20. Special Allowable Credits	R.S. 47:297(B)	1,196,601	944,615
21. Contributions of Tangible Personal Property of Sophisticated and Technological Nature to Educational Institutions	R.S. 47:37, R.S. 47:287.755	980,618	821,428
22. New Jobs Credit	R.S. 47:34, R.S. 47:287.749	579,651	295,681
23. Employment-related Expense for Maintaining Household for Certain Disabled Dependents	R.S. 47:297.2	378,445	293,760
24. Donations of Material, Equipment, or Instructors Made to Certain Training Providers	R.S. 47:6012	214,630	192,815
25. Credit for Amounts Paid by Certain Military Service Members for Obtaining Louisiana Hunting & Fishing Licenses	R.S. 47:297.9	131,204	123,362
26. Educational Expenses Incurred for Degree Related to Law Enforcement	R.S. 47:297(J)	76,412	105,668
27. Employment of the Previously Unemployed	R.S. 47:6004	Negligible	83,185

Tax Incentive	Legal Citation	FY 14 Revenue Loss	FY 13 Revenue Loss
Louisiana Department of Revenue (Cont.)			
28. Family Responsibility	R.S. 47:297(F), R.S. 46:449		$49,874
29. Employment of Certain First-time Nonviolent Offenders	R.S. 47:287.752, R.S. 47:297(O)	$22,356	44,781
30. Donations to Assist Qualified Playgrounds	R.S. 47:6008	39,859	38,158
31. Credit for Debt Issuance Costs	R.S. 47:6017	Negligible	28,567
32. Accessible and Barrier-Free Constructed Home	R.S. 47:297(P)	40,972	28,211
33. Certain Refunds Issued by Utilities	R.S. 47:265, R.S. 47:287.664		26,998
34. Gasoline and Special Fuels Taxes for Commercial Fisherman	R.S. 47:297 (C)	25,066	23,374
35. Louisiana Basic-Skills Training	R.S. 47:6009	38,346	18,402
36. Credit for Costs to Reprogram Cash Registers	Acts 1990, No. 386, Section 4	27,404	16,111
37. Purchase of Bulletproof Vests	R.S. 47:297(L)	16,432	15,253
38. Neighborhood Assistance	R.S. 47:35, R.S. 287.753		12,525
39. Living Organ Donation Credit	R.S. 47:297(N)	22,845	11,736
40. Employment of Certain First-time Drug Offenders	R.S. 47:297(K)	Negligible	Negligible
41. Vehicle Alternate Fuel Usage	R.S. 47:287.757, R.S. 47:38	Negligible	Negligible
42. Bone Marrow Donor Expense	R.S. 287.758, R.S. 47:297(I)		
43. Cash Donations to the Dedicated Research Investment Fund	R.S. 51:2203		
44. Credit for Purchases from Prison Industry Enhancement Contractors	R.S. 47:6018		
45. Donations to Public Elementary or Secondary Schools	R.S. 47:6013		
46. Hiring Eligible Re-entrants	R.S. 47:287.748		
47. Long-term Care Insurance Premiums Credit	R.S. 47:297(M)		
LDR Total Revenue Loss		**$891,843,336**	**$818,737,134**
Louisiana Economic Development			
1. Motion Picture Investor Tax Credit	R.S. 47:6007 et seq.	$250,378,776	$148,203,276
2. Louisiana Quality Jobs Program	R.S. 51:2451 et seq.	55,779,923	51,318,246
3. Enterprise Zones	R.S. 51:1781 et seq.	56,466,047	50,876,337
4. Research and Development Tax Credit	R.S. 47:6015	25,895,753	24,232,875
5. Musical and Theatrical Productions Tax Credit	R.S. 47:6034	8,754,304	4,948,816
6. Digital Interactive Media and Software Tax Credit	R.S. 47:6022	15,031,546	3,798,054
7. Angel Investor Tax Credit and Jobs Program	R.S. 47:6020 et seq.	1,564,900	1,822,774
8. Sound Recording Investor Tax Credit	R.S. 47:6023	151,561	177,421
9. Technology Commercialization Credit and Jobs Program	R.S. 51:2351 et seq.	201,377	104,735
10. Urban Revitalization Tax Incentive Program	R.S. 51:1801		23,224
11. Mentor-Protégé Tax Credit	R.S. 47:6027	15,584	22,024

Tax Incentive	Legal Citation	FY 14 Revenue Loss	FY 13 Revenue Loss
Louisiana Economic Development (Cont.)			
12. Atchafalaya Trace Heritage Area Development Zone Tax Exemption	R.S. 25:1226 et seq.	Negligible	$6,219
13. University Research and Development Parks	R.S. 17:3389	Negligible	1,994
14. Retention and Modernization Credit	R.S. 51:2399.1-6	$180,941	857
15. Competitive Projects Payroll Incentive Program	R.S. 51:3121		
16. Corporate Headquarters Relocation Program	R.S. 51:3111-3115		
17. Corporate Tax Apportionment Program	R.S. 47:4331		
18. LA Community Economic Development	R.S. 47:6031	Negligible	
19. Ports of Louisiana - Import Export Cargo Credit	R.S. 47:6036		
20. Ports of Louisiana - Investor Tax Credit	R.S. 47:6036		
21. Procurement Processing Company Rebate Program	R.S. 47:6351		
LED Total Revenue Loss		**$414,420,712**	**$285,536,852**
Department of Culture, Recreation, and Tourism			
1. Credit for Rehabilitation of Historic Structures	R.S. 47:6019	$54,165,641	$52,811,147
2. Rehabilitation of an Owner Occupied Residential or Mixed-use Property	R.S. 47:297.6	275,457	303,818
3. Cane River Heritage Tax Credit	R.S. 47:6026		
DCRT Total Revenue Loss		**$54,441,098**	**$53,114,965**
Department of Children and Family Services			
1. School Readiness Child Care Directors and Staff Credit	R.S. 47:6106	$8,114,353	$7,093,663
2. School Readiness Child Care Provider Credit	R.S. 47:6105	4,662,556	5,506,820
3. School Readiness Child Care Credit	R.S. 47:6104	3,172,427	2,872,501
4. School Readiness Fees and Grants to Resource and Referral Agencies Credit	R.S. 47:6107(A)(2)	596,792	468,784
5. School Readiness Business Supported Child Care Credit	R.S. 47:6107(A)(1)	624,842	421,640
DCFS Total Revenue Loss		**$17,170,970**	**$16,363,408**
Department of Environmental Quality			
1. Purchase of Qualified New Recycling, Manufacturing, or Process Equipment and/or Service Contracts	R.S. 47:6005	$4,030,655	$5,760,055
2. Brownfields Investor Tax Credit	R.S. 47:6021	75,606	529,924
DEQ Total Revenue Loss		**$4,106,261**	**$6,289,979**
Department of Education			
1.Donations to School Tuition Organization	R.S. 47:297(P)		
DOE Total Revenue Loss		**NONE**	**NONE**
Total Revenue Loss		**$1,381,982,377**	**$1,180,042,338**
Source: 2013-2014 and 2014-2015 Tax Exemption Budgets			