WORLD TRADE CENTER

OF

NEW ORLEANS

SOME BASIC INFORMATION

ON DOING BUSINESS IN LOUISIANA

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Dear Reader:

Doing business in the United States, and more particularly in Louisiana, can be complex for a foreign national not familiar with basic U.S. laws.

This booklet attempts to set forth a few basic business concepts, a basic introduction to the United States legal system, a basic introduction to the United States tax system, federal and state tax incentives, and federal and state business incentives. It must be kept in mind that this booklet is very basic. It is not intended to be comprehensive and discuss any and all issues that could face a foreign national in making an investment decision or starting a business operation in Louisiana. This is not the intent of the booklet. The intent of the booklet is simply to introduce the reader to basic concepts and encourage the reader to build on those concepts and seek professional advice prior to undertaking any United States investment or business operations.

This booklet is prepared and sets forth current information in place at the time of its printing. Federal and state tax incentives are in a constant state of flux, with existing incentives expiring and new incentives being created. Thus, this booklet should not be relied upon in making investment or business decisions.

Hopefully, this booklet will be of assistance to foreign nations in understanding some of the business concepts and incentives facing them and available to them in starting business operations in the State of Louisiana.

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WTC Basic Legal Guide for Doing Business in Louisiana

I. Introduction

The WTC Basic Legal Guide to Doing Business in Louisiana is intended to generally address legal topics pertaining to operating a business in Louisiana. It is not intended as legal advice. Readers should consult a local attorney before initiating business operations in Louisiana.

<u>Introduction to the United States' legal system</u>

The United States has a federal system of government. The Constitution, which is the supreme law of the land, defines its structure. There is a national (federal) government of enumerated powers and fifty state governments with restricted autonomy. Also, within the states, local governmental bodies exercise certain authority.

In legislative matters, this federal structure imposes three sets of applicable laws on any given location.

- The national legislature in Washington, D.C. enacts federal laws. These laws are applicable throughout the United States.
- Louisiana's legislature in Baton Rouge enacts state laws. These are applicable throughout Louisiana.
- Citywide and parish-wide officials enact local laws and ordinances. These are applicable in the city or parish where they are enacted.

In judicial matters, the federal structure creates separate state and federal courts. Trial courts are the courts of first instance in the state court system, followed by courts of appeal, and a state supreme court. Federal District courts are the court of first instance in the federal court system, followed by appellate courts and finally the U.S. Supreme Court. The Supreme Court is the highest court in the United States and its decisions cannot be appealed. The Supreme Court has the authority to review decisions from state supreme courts in certain limited matters.

For a matter to be within the jurisdiction of the federal court system, it must be related to a power granted by the Constitution to the federal government, involve the interpretation of a federal statute or be a dispute between persons domiciled in different states.

<u>Introduction to the United States' Tax System</u>

<u>Income Tax</u> - A tax levied on the financial income of persons, corporations, or other legal entities. Federal income tax rates are between 10% and 35%, depending on income and family

status. Louisiana income tax rates are between 2% and 6% depending on income and family status.

Sales Tax - Businesses domiciled in Louisiana are required to pay sales taxes to the state of Louisiana and to the parish in which the sale occurs. The tax is levied on the retail sale of personal property, on goods used or stored for use instate, on leases and rentals of tangible personal property, and on certain services. The current state sales tax rate is 4%. Each parish rate varies depending on current tax legislation, although the average local sales tax is around 4%.

For local sales taxes by parish, please visit. http://www.laota.com/

Property tax **-** In Louisiana, property tax is imposed at the local level. The property tax applies not only to real estate and tangible personal property, but also to certain intangible property. Local assessors determine the fair market value of immovable property. The property tax is generally assessed on a percentage of the fair market value of property subject to tax, according to classification of the property. This usually ranges between 10% and 25% depending on the property's classification.

Excise Tax - A tax imposed on a particular act, event, or occurrence, with the object of providing revenue for the general expenses of government. This can be on the manufacture, sale, or use of goods (such as a cigarette tax), or on an occupation or activity (such as a license tax).

Estate Tax - A tax assessed on property owned or controlled by a deceased person before it is transferred to heirs who are in line to inherit the property. The tax is imposed at the federal level for estates having a fair market value over a certain amount. Foreign investors are subject to the estate tax on real and tangible personal property located in the United States. Louisiana does not impose any inheritance taxes.

II. Louisiana Business Organizations

In choosing how to structure a business in Louisiana, there are certain factors to consider: to what extent are the owners protected from liabilities incurred by the business, how will the business be taxed, how the business will be managed, and what will the duration of the business be.

1) Sole Proprietorship - An owner who undertakes business in his or her own name or that of a trade name. The business is undertaken directly by the owner. The identity of the owner and that of the business are one and the same and no separate entity is created.

As the proprietor and the business are the same, the proprietor faces unlimited liability for all debts and obligations incurred by the business. There is no separation between the proprietor's business assets and his or her personal assets, so creditors may seize the proprietor's personal property in order to pay debts and obligations owed by the business.

All revenue generated by the business is reported on the proprietor's personal tax return. This avoids the double taxation that takes place with corporations; however, it can also increase the amount of taxes paid on personal income by the proprietor by positioning him or her in a higher income tax bracket. Also, a foreign proprietor that owns tangible property in the United States may have to pay estate taxes on these assets.

As the proprietor owns the business by himself or herself, they need not share control of the business with others. All contracts and business arrangements are between the proprietor and the third party.

Generally, no documents are necessary to form a sole proprietorship, although particular permits or licenses may be necessary for some businesses. If the proprietor decides to do business under a company name (trade name), instead of in his or her own name, the proprietor must register that name.

Foreign nationals may not be inclined to start a business in Louisiana as proprietorships for several reasons: there is no separation of personal and business income. Foreign nationals who are proprietors will be required to file an individual federal U.S. income tax return on U.S. income, as well as a Louisiana tax return. In certain circumstances, personal income earned in the foreign national's home country may fall under federal and Louisiana tax jurisdictions. If a foreign national owning a sole proprietorship passes away, his estate *may* be subject to U.S. estate taxes on U.S. sourced tangible property. (*See* section VII)

<u>Business Examples</u> – Individuals offering personal services are the most common businesses organized as sole proprietorships. Medical doctors working in private practice and lawyers, both providing personal services to the general public, are both examples of businesses that often operate as sole proprietorships. In each case, the owner has unlimited liability and tax obligations for the sole proprietorship

2) <u>General Partnership</u> - A business that is unincorporated and created by written or oral contract between two or more persons in order to collaborate at mutual risk for their profit or benefit.

In Louisiana, each partner is only bound for his virile share of the partnership debts. This is in contrast to most other jurisdictions, where partners are jointly and severally liable for debts or obligations incurred by the partnership.

Partnerships are not taxable entities, they benefit from "pass-through" taxation. Partnership income and expenses pass through to the partners and is reported on their individual tax returns and each partner is taxed on his or her share of partnership net income. This is so for both federal and state taxes. The partnership *may* be required to file an *information return* with the Louisiana Department of Revenue each year, showing each partner's share of taxable income, losses, and credits. The partnership *must* file a federal partnership tax return. Also, partners are required to pay income tax on taxable income even if there is no cash Distributed from the partnership.

A partnership is a contract. The partners are free to contract among themselves how their partnership is to operate. Absent an agreement, Louisiana Law determines how the partnership is to operate. Generally, all partners share directly in the control of the business operations of the partnership. Unless otherwise stipulated by the partnership agreement, all partners participate in management, each having one vote. Also, each partner can create contractual obligations that bind the partnership. Unless otherwise stipulated by contract, unanimity is required to amend the partnership agreement, to admit new partners or to allow a partner to withdraw.

The partnership may have a defined duration, stipulated by contract. Otherwise the partnership is automatically terminated when the number of partners is reduced to one. There are no restrictions on who may be a partner, or on what the partnership may own, but there *must* be at least two partners. The death of a partner *may* have a large impact on the structure and management of a partnership. There are also restrictions on the transfer of partnership interest to others and the partnership interest is not heritable.

A general partnership may be an undesirable business organization for a foreign company because of the partners' unlimited liability and active participation in management. Also, each partner's ability to bind the partnership as well as restrictions on the transfer of the business interest may limit a passive investor's interest in this type of business organization.

<u>Business Examples</u> - Common types of general partnerships are consulting, accounting, and law firms. Partners bring intellectual and financial capital to the partnership and accept equal responsibility for each other's actions.

3) <u>Partnership in Commendam ("PC")</u> – This is Louisiana's version of a limited partnership, consisting of one or more general partners who have broad powers, rights, and obligations in reference to the partnership, and one or more partners in commendam, or limited partners.

Partners in commendam are only responsible for the capital they have agreed to invest in the partnership; they do not assume any responsibility for debts incurred by the partnership outside of their original contractual investment. This differs from the general partners, who are liable for their virile share in the partnership, which may translate into a debt greater than the general partners' original investment. Partners in a PC are relieved of liability for wrongful acts or misconduct of other partners or representatives of the PC. A PC partnership agreement must be filed in the public records. Thus, it is subject to public scrutiny. Additionally, it is necessary to have a general partner, which general partner will have liability for the partnership debts. A PC does not offer protection to the general partner from claims of creditors, to the extent that a corporation or LLC does. It is always possible, of course, to form a corporation to act as general partner of the PC and have limited liability.

As a type of partnership, PCs, benefit from "pass-through" taxation and are taxed in the same manner as general partnerships.

General Partners manage the partnership in commendam as in general partnerships. Although there is a great amount of flexibility available to structure the partnership through the partnership contract, a partner in commendam does not have the authority of a general partner. A partner in commendam can not bind the partnership, participate in the management or administration of the partnership, or conduct any business with third parties on behalf of the partnership. General Partners control and determine the distribution of cash from the partnership in commendam. If the issue of distributions from the partnership in commendam is not addressed in the partnership agreement, the general partners will have full discretion.

The PC is automatically terminated if there is less than 1 general partner and 1 partner in commendam. There are several restrictions on the transfer of interests of the PC. The law on PC's is more developed than that of LLCs.

If foreign investors plan to conduct business in a jurisdiction besides Louisiana, they may face additional requirements as Limited Partnerships statutes vary from state to state.

Business Examples -

Where a foreign investor wishes to take a purely passive role as to a U.S. investment, with the active management being conducted by a U.S. entity, a partnership in commendam may suit that investment. The partnership in commendam agreement can be quite extensive and address the details of the investment by the foreign investor.

4) Limited Liability Company (LLC) - This is an unincorporated, independently existing entity owned by one or more members (owners). It has the tax advantage of a pass-through taxation structure of a partnership and the advantage of limited liability protection for its members like a corporation.

Members of an LLC are protected from personal liability for the LLC's debts and obligations, like a corporation. LLC members risk only the amount that he or she invested in the LLC.

LLCs are taxed as pass-through entities, like partnerships. Pass-through taxation means that there is only one level of tax, unlike corporations. With corporations there is an income tax at the corporate level and an income tax at the shareholder level when corporate income is distributed. Regarding Louisiana income taxation; an LLC is taxed based its federal income tax structure. For all other taxes, an LLC is taxed as a partnership, unless it elects to be taxed as a corporation under the check-the-box rule. This rule allows an LLC to elect how it wishes to be taxed for federal tax purposes. If an LLC is classified as a partnership for federal income tax purposes, the LLC is not subject to the Louisiana state income tax. A single member LLC will not be treated as an independent entity separate from its owner for federal income tax purposes and will be reported on its owner's federal tax return as a disregarded entity. In this circumstance, the single-member LLC will not be taxed as a partnership for Louisiana income tax purposes either. Unlike a corporation, LLCs do not have to pay Louisiana franchise tax.

An LLC may be either managed by its members or managers can be appointed to manage. The managers need not be members of the LLC and members can appoint and remove managers. Thus, in terms of structuring the LLC for management purposes, great flexibility exists.

Generally, members each have a vote in management decisions unless otherwise noted in the LLC agreement. Each member, and manager if any, can create contractual obligations that bind the LLC. Members are free to structure all aspects of the LLC's operations and management structure, including the LLC's duration, as they see fit and as outlined in the LLC's operating agreement.

In Louisiana, an LLC cannot be formed for the purpose of insurance underwriting of any kind. Interests in an LLC are transferable with relatively few restrictions. Restrictions can be imposed on the transfer of units in the LLC documents.

LLCs are an attractive option for foreign companies because they offer the limited liability protection of corporations and the pass-through taxation structure of partnerships. It allows the foreign company or foreign investor to take an active role in the management of the LLC and yet offer the protection of limited liability. This can not be achieved through a partnership in commendam or a general partnership.

Business Examples –LLCs have become the preferred choice of business organizations for smaller businesses. Many businesses are formed as LLCs all the way from professional service firms to operating businesses. Of course pass-through tax treatment for a foreign investor may not necessarily be desirable.

5) Corporation – This is a separate and distinct entity, independent from its shareholders which provides limited liability and is considered a separate and distinct taxpayer. Corporations are recognized the world over in one form or another. Thus a foreign investor is generally familiar with the concept of a corporation.

Corporations offer limited liability for all stockholders.

Corporations incur "double taxation". Both corporate profits and stockholder dividends are taxed. Corporations must also pay the Louisiana franchise tax and corporate income tax.

The board of directors controls the management of the corporation. There are few restrictions on who may own stock in a corporation and on what the corporation may own. Interest in a corporation is heritable and freely transferable but subject to securities law.

Once incorporated, a corporation is a juridical person. Juridical personality ensures that the corporation's existence is perpetual; the death of stockholders or officials within the company does not alter the corporation's structure.

To become a corporation, incorporators must draw up articles of incorporation detailing its proposed structure, which must be filed with the Secretary of State. A Louisiana based office is required for approval as a Louisiana corporation. In Louisiana, a corporation may be formed for any lawful business purposes, *except* banking, insurance underwriting, operating homesteads or building and loan associations. Corporations are recognized as legitimate business entities throughout the world.

As with partnerships, corporations wishing to do business in jurisdictions other than Louisiana must pass requirements in every jurisdiction in which they wish to do business. Also, certain corporate forms require shareholders to be U.S. residents.

Business Examples - Corporations have been used and are being used in a wide variety of business ventures. One advantage of operating under the corporate form is that there is much legal precedent in this area. The reason being, corporations have been used for a substantial number of years and have been tested by time. Any business can operate in corporate form, whether the business is large or small.

6) Joint Venture - A combination of two or more persons who would jointly seek profit through a specific venture without any partnership or corporate designation.

Foreign companies are able to form joint ventures with domestic companies already present in desirable markets. The contract creating the joint venture states how the two companies will share profits, losses, and management responsibilities. In Louisiana a joint venture is treated similarly to a partnership and is controlled largely by the rules applicable to partnerships. A joint venture is generally formed for a single transaction, as opposed to a partnership, which is formed for general business of a specific kind.

For more information on who to contact when starting a business in Louisiana, please visit: http://www.sec.state.la.us/comm/fss/fss-index.htm

III. Louisiana Laws to Consider When Starting a Business

1) Employment Laws - Louisiana is an employment-at-will state. Generally, employers may take any action against any employee including hiring and firing employees at any time and for any reason as long as that reason is not against the law. An employer may not discriminate against any employee based on race, religion, sex, age, color, national origin, or disability. Nor may an employer take an adverse employment action against an employee for military service, political opinions, or having filed a workers' compensation claim. Louisiana law also prohibits discrimination on the basis of pregnancy or childbirth, sickle cell trait, handicap, tobacco use, and other protected characteristics. In addition, many local governments in Louisiana may adopt more protective laws regarding employee rights within their jurisdiction. One example is Orleans Parish, which prohibits discrimination on the basis of sexual orientation.

Louisiana also has a whistleblower or “reprisal law”, which prohibits employers from taking reprisal against any employee who advises the employer that it is in violation of a law and the employee either discloses, threatens to disclose, or testifies about the violation of law, or the employee objects to or refuses to participate in an employment act in violation of law.

Louisiana is also a right-to-work state. Employees are not required and may not be forced to join labor unions or other organizations as a condition of employment. Louisiana also regulates the use of out of state workers to compensate for striking employees.

Federal Employment Laws are enforced in Louisiana. However, Louisiana may enact laws to protect its employees over and above the constraints of federal laws. For example, a Louisiana law provides for six weeks of protected leave to an employee for pregnancy, childbirth, or a related medical condition, and up to four months of leave when there is a complication.

Like most federal employment laws, Louisiana employment laws apply to employers who meet a certain set of qualifications. Usually a company minimum of 15-25 employees is required depending upon the law. Some laws in Louisiana, however, apply to all employers, regardless of the number of employees. Any employer seeking to do business in Louisiana is encouraged to consult a Louisiana labor and employment attorney to insure compliance with these laws, as well as to insure that its policies and procedures do not conflict with Louisiana laws.

2) Worker’s Compensation - All employers operating in Louisiana are required to provide workers' compensation coverage to their employees. This is true even in cases where the employee only works on temporary assignments, the employer does not withhold federal or state taxes, and the employer pays the employee in cash. The workers' compensation policy must provide coverage for all compensable incidents under the workers' compensation statute. If a particular coverage is not limited in the statute, then limitation is not permitted in the policy. Employers are cautioned about classifying employees as "independent contractors" without first consulting an attorney. Misclassification of employees as independent contractors and failure to provide workers' compensation and withhold the appropriate taxes can have serious legal consequences.

Employees are entitled to workers' compensation coverage from their first day of work. The workers' compensation law prohibits an employer from withholding workers' compensation premiums from an employee's pay. The penalty for operating without proper workers' compensation coverage is $250 per employee for a first offense and $500 per employee for a second offense.

An employer can be responsible for the medical expenses and weekly benefit payments of any employee who is injured in the performance of his or her job and who is consequently unable to continue working, subject to certain exceptions. An employer may pay such expenses out-of-pocket or may obtain commercial workers' compensation insurance for employees. For information and forms, contact the Louisiana Department of Labor, Office of Workers' Compensation Administration.

IV. Available Federal Tax Incentives:

The following is a list of federal tax incentives that are available in Louisiana:

1) Commercial Revitalization Deduction - Special tax treatment is provided for qualified revitalization expenditures chargeable to a capital account for a qualified revitalization building. One of two options can be chosen. Under the first option, one-half (1/2) of these qualified revitalization expenditures are allowable as a deduction for the taxable year in which the building is placed in service. Under the second option, a deduction for all qualified revitalization expenditures is allowable ratably over the one hundred and twenty (120) month period beginning with the month in which the qualified revitalization building is placed in service.

There are two (2) types of qualified revitalization buildings. The first type is any building and its structural component with respect to which two (2) conditions are satisfied. First, the building must be placed in service by the taxpayer in a renewal community. Second, the original use of the building must begin with the taxpayer. The second type of qualified revitalization building is any building and its structural components with respect to which three (3) conditions are satisfied. First, the building must not be of the first type. Second, the building must be substantially rehabilitated by the taxpayer. Third, the building must be placed in service by the taxpayer in a renewal community after the rehabilitation.

2) EB-5 Visa Alien Investor Program - Allows alien investors to obtain a green card through entrepreneurship. New Orleans has been designated a Regional Center by USCIS, therefore alien investors need only invest $500,000 in a local business and create 10 indirect jobs to earn a permanent resident visa. This process is also called immigration through investment.

For more information, please visit:
www.uscis.gov

3) Tax Credit for Wages in Empowerment Zone and Renewal Communities
A tax credit is allowed for certain wages paid in connection with business operations in empowerment zones and in renewal communities. The employer deduction otherwise allowed for wages paid for a taxable year is reduced by the amount of the employment tax credit claimed for that taxable year. The credit equals a percentage multiplied by the qualified wages paid or incurred within the taxable year. For empowerment zones, the applicable percentage is twenty (20%) percent. For renewal communities that are treated as empowerment zones, the applicable percentage is fifteen (15%) percent.

For more information please visit:
http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/tour/la/neworleans/
http://www.renewallouisiana.com

4) Renewal Community Capital Gain Exclusion – Qualified capital gain from the sale or exchange of a qualified community asset held for more than five (5) years is excluded from gross income. This applies to the sale of corporate stock and pass through tax entity. There are

conditions and time periods as to when this credit is available. A qualified asset is one acquired in a renewal community between 2002 and January 1, 2010 and then held for a minimum of 5 years.

5) Enterprise Zone Qualified Business Entity Stock Gain Exclusion – Sixty (60%) percent of gain from the sale or exchange of enterprise zone qualified business entity stock is excluded from gross income. There are conditions and time periods that must be complied with. Additionally, tax exempt bonds can be issued under the enterprise zone tax exempt financing rule. This will allow the entity to obtain lower financing costs for the project.

The majority of incentives created under the Gulf Opportunity Zone Act of 2005 expired 12/31/07. The Small Business and Work Opportunity Act of 2007 extended some Incentives through 12/31/09.

6) Foreign Trade Zones - Foreign companies can import materials and components into the US without paying duties until finished goods enter the US market. Goods shipped out of the country from the foreign Trade Zone exit duty free.

For More information visit: http://www.portno.com/pno_pages/cargo_ftz.htm

7) Hiring Incentives to Restore Employment (HIRE) Act. Enacted March 18, 2010, two new tax benefits are available to employers who hire certain previously unemployed workers ("qualified employees"). The first, referred to as the payroll tax exemption, provides employers with an exemption from the employer's 6.2 percent share of social security tax on wages paid to qualifying employees, effective for wages paid from March 19, 2010 through December 31, 2010. In addition, for each qualified employee retained for at least 52 consecutive weeks, businesses will also be eligible for a general business tax credit, referred to as the new hire retention credit, of 6.2 percent of wages paid to the qualified employee over the 52 week period, up to a maximum credit of $1,000.

For More information visit: http://www.irs.gov/businesses/small/article/0,,id=220745,00.html

8) Low Income Housing Tax Credit Program – A ten year Federal tax credit for owners of newly constructed or renovated rental housing who set aside a number of units for low-income residents. Each state designates an agency (usually the housing finance agency) to administer the tax credit program.

For more information, please visit:
http://www.hud.gov/offices/fheo/lihtcmou.cfm

9) New Markets Tax Credit - The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three

years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.
For more info go to:
http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5

10) Rehabilitation Tax Credit – Applies to costs incurred for the rehabilitation of historic buildings and structures. Rehabilitation includes renovations, restorations, and reconstructions. It does not include enlargements or new constructions. For pre-1936 buildings, 10% of rehabilitation costs can be taken as a tax credit. For certified historic structures, 20% of rehabilitation costs can be taken as a tax credit. If rehabilitation work is done before January 1, 2009, the GO Zone increases the percentages of this tax credit to 13% for pre-1936 buildings and 26% for certified historic structures.

For more information, please visit:
http://www.irs.gov/businesses/small/industries/article/0,,id=97599,00.html

11) Renewal Community Wage Tax Credit – Permits qualified employers a federal income tax credit of 15% of each qualified employee's first $10,000 of annual salary. The amount is capped at $1,500 dollars per qualified employee. A qualified employee is one that lives and works within a federally designated "Renewal Community" by the Secretary of Housing and Urban Development (HUD). The credit is available for all employees, full and part time, and is not limited to new hires.

For more information, please visit:http://www.irs.gov/publications/p954/ar02.html#d0e1228

12) Small Business Health Care Tax Credit - Many small businesses and tax-exempt organizations that provide health insurance coverage to their employees now qualify for a special tax credit, according to the Internal Revenue Service. The maximum credit is 35 percent of premiums paid in 2010 by eligible small business employers and 25 percent of premiums paid by eligible employers that are tax-exempt organizations. In 2014, this maximum credit increases to 50 percent of premiums paid by eligible small business employers and 35 percent of premiums paid by eligible employers that are tax-exempt organizations.

The credit is specifically targeted to help small businesses and tax-exempt organizations that primarily employ low and moderate income workers. It is generally available to employers that have fewer than 25 full-time equivalent (FTE) employees paying wages averaging less than $50,000 per employee per year. Because the eligibility formula is based in part on the number of FTEs, not the number of employees, many businesses will qualify even if they employ more than 25 individual workers.

For more information please see: http://www.irs.gov/newsroom/article/0,,id=220848,00.html
http://www.irs.gov/newsroom/article/0,,id=220809,00.html

13) Work Opportunity Tax Credit (WOTC) - A federal tax credit that can reduce employer's federal tax liability when they hire job seekers who have traditionally faced significant barriers to employment. The WOTC program extends through August 31, 2011. The employer can reduce their taxes up to $2,400 or $4,800 during the first year of employment or up to $9,000 over two years, depending on the qualified applicant. The consolidated WOTC for hiring target group members can be as much as:

$2,400 for each new adult hire;
$1,200 for each new summer youth hire;
$4,800 for a Disabled Veteran, a subgroup under Qualified Veteran; and
$9,000 for each new long-term family assistance recipient hired over a two-year period

For more information please visit:
http://www.doleta.gov/business/Incentives/opptax/

V. State of Louisiana Business and Tax Incentives:

The State of Louisiana, post-Katrina, has implemented some of the most appealing incentives, for both small and large businesses, in the United States. The following is a list of Louisiana State economic and tax incentives.

1) Louisiana Bonding Assistance Program - The Louisiana Economic Development Corporation (LEDC) recently approved an additional $5 million for Louisiana Economic Development's (LED) Bonding Assistance Program. The Bonding Assistance Program assists qualified small and emerging businesses in reaching the bonding capacity required for specific projects. By providing companies the ability to bid on private and public sector jobs, LED opens up new business opportunities for entrepreneurs that can lead to potential growth.

For more information please visit:
http://www.louisianaeconomicdevelopment.com/opportunities/incentives--programs/bonding-assistance-program.aspx

2) Corporate Jobs Tax Credit Program - The Corporate Jobs Tax Credit Program provides credits of up to $225 per new worker. The credits can be used to satisfy state corporate income taxes and are an alternative option to the benefits of the state's Industrial Property Tax Exemption program and Enterprise Zone program benefits.

3) Early Stage Angel Investment Incentives - Provides accredited Louisiana investors with an incentive for making early-stage investments in Louisiana-based startups. It allows the investor to receive a 50% tax credit divided into portions of 10% over five years on his or her income or corporation franchise tax liability owed to the state for early-stage investments in Louisiana startups.

4) Louisiana Community Development Financial Institution (LCDFI) - Provides qualifying individual/business a tax credit for qualifying individuals/businesses which invest in a

certified LCDFI. The tax credit is equal to 75% of the investment. To become eligible for an allocation of tax credits, LCDFIs must first become "certified" by the Louisiana Office of Financial Institutions (OFI). The required application items as well as the applicable statute and rule are available on OFI's website

For more information, please visit:
http://www.ofi.louisiana.gov/LCDFI.htm

5) Louisiana's Economic Development Award Program - Provides funds to finance publicly owned infrastructure for industrial or business development projects. Eligible project costs may include, but not be limited to, engineering expenses, site acquisition and preparation, construction expenses, building materials, and capital equipment. The portion of total project costs financed by the award may not exceed 50% of all project cost. The award amount shall not exceed 25% of the total funds available to the program this fiscal year. Eligible applicants are public or quasi-public state agency, along with a private company who will be the primary recipient, and the project must create at least 10 permanent new jobs in the State.

For more information, please visit:
http://www.louisianaeconomicdevelopment.com/opportunities/incentives--programs/edap.aspx

6) Louisiana Economic Development Corporation Grants - The Louisiana Department of Economic Development offers Grants such as the Louisiana Entertainment Industry Workforce Development Grants. The Louisiana Economic Development Corporation (LEDC) recently approved an unprecedented $2 million matching grants program for workforce development training in the entertainment industry, including music, digital interactive and motion picture sectors. Next steps are to define the program, including a public hearing process, and publish the rules. Industry representatives will be invited and encouraged to participate in that process. Final approval may take up to six months.

7) Economic Development Districts - This is an economic development district established by a local governmental subdivision pursuant to R.S. 33:9038.32. By creating an economic development district, a local governmental subdivision may issue revenue bonds payable solely from an irrevocable pledge and dedication of up to the full amount of sales tax increments, in an amount to be determined by the local governmental subdivision, to finance or refinance an economic development project or any part thereof or to pay all or a portion of the costs of an economic development project as specified in R.S. 33:9035.
For more information, please see:
La. R.S. 33:9022, 33:9033 and 33:9033.3

8) The Enterprise Zone (EZ) Program – This incentive program provides Louisiana Income and Franchise tax credits to a business hiring a minimum number of net new employees. 35% of these new jobs must be filled from one of four targeted groups. A business does not have to invest money as the creation of additional jobs is sufficient to meet the requirements. Because of the jobs creation, sales tax rebates may be available. Enterprise Zones are areas with high unemployment, low income, or a high percentage of residents receiving some form of public assistance. Businesses that expand or locate in a designated enterprise zone are eligible for a state

rebate of 4% and a local rebate (depending on the local rate) for sales taxes paid on equipment, machinery and construction materials. A company must hire at least 5 new employees or increase current workforce by 10%.

For more information, please visit:
http://www.norpc.org/projects_programs/econ_development/econ_dev_ezms.html

9) Entertainment Tax Credits

Louisiana's entertainment industry has had significant economic impact on the state since the state Legislature first passed tax incentives in 2002. The success of this industry has gained nationwide interest and attracted investors to pursue entertainment infrastructure projects in several Louisiana locations. Now, motion pictures, music/sound recording, theater, live music and digital interactive are expanding Louisiana's entertainment legacy of jazz and the arts to increase positive economic growth for the state.
Motion picture, sound recording, live performance and digital interactive enterprises in Louisiana enjoy a unique tax incentive program:

Digital Interactive Tax Credit

Interactive digital media, such as videogame developers, earn up to a 20% tax credit against expenditures in Louisiana. Allows animation, gaming, and digital effects developers to earn a 20% tax credit against expenditures for production and long-term infrastructure expenses within in Louisiana and to offset the Louisiana corporation and personal income and corporation franchise taxes. In addition a single credit of 25% of qualified expenditures is available for state-certified production applications submitted on or after July 1, 2009, plus an additional 10% credit for Louisiana resident payroll expenditures.

Louisiana Film Tax Incentive Program – Enacted to attract film production to Louisiana, the program provides a flat 25% state tax credit based upon investments of $300,000 and up. Productions shot in Louisiana can take a 10% labor tax credit on payroll for Louisiana residents, in addition to a 15% infrastructure tax credit on state of the art facilities.

For more information, please visit:
http://www.lafilm.org/

Live Performance Tax Credit

Producers and promoters of live entertainment earn up to a 25% tax credit on production and infrastructure expenditures in Louisiana

Motion Picture Industry Development Tax Credit (Act 478)

A transferable credit of 30% (formerly 25%) for motion picture production and an additional 5% (formerly 10%) on Louisiana labor, plus a 40% credit for infrastructure development

Music/Sound Recording Investor Credit Extends the expiration date of the sound recording credits from January 1, 2010 to January 1, 2015, and changes how the sound recording credits are claimed. The Louisiana Department of Economic Development must submit a tax credit certification letter to the Department of Revenue on behalf of the investor who earned the sound recording tax credits. The credits will be paid by the Department of Revenue directly to the taxpayer without the taxpayer having to claim the credit on a tax return. In addition, the Act establishes that the percentage of credit allowed will be 25 percent of the base investment made in excess of $15,000. Effective August 15, 2009.

Non-profit Community Theater Tax Credit (Act 448)
Provides a 10% tax credit for non-profit community theater state-certified musical or theatrical productions. The credit applies to productions with investments of more than $25,000 and less than $300,000. The credits are available for the 2009 and 2010 calendar years and apply to qualified productions performed in 2008. The credits are capped at $250,000 a year.

Louisiana Theater Tax Incentive Program
"Broadway South" was enacted to attract productions of: theater, opera, ballet, jazz, comedy revues and variety entertainment. The program offers investors a 25% state tax credit on construction costs (up to $10 million dollar credit per project), 25% state tax credit on performance costs, and 100% state tax credit on transportation costs (with no limit per project). The program also allows for a 10% labor tax credit on payroll for Louisiana residents.

For more information, please visit:
http://www.broadwaysouth.com/home.html

10) Governor's Rapid Response Fund - Awards from this fund are dispensed at the discretion of the Governor. This is a permanent $10 million annual fund for making major awards to businesses with economic development projects that can potentially create and retain jobs in Louisiana. The fund provides $5,000 - $25,000 loans for up to 180 days at zero interest to businesses with more than two, but less than 100, employees.

11) State Certified Green Projects (Act 520) - Creates a tax credit for expenditures or investments by a company that are expended on construction, repair or renovation of a state certified green project. No more than $5 million in credits may be granted each year. The credits are granted on a first come first served basis, and are allowed as follows: investments between $100,000 to $300,000 dollars – entitled to a 10 percent credit; $300,000 to $1 million – 20 percent credit; over $1 million – 25 percent credit. Applications for certification are to be submitted to the Louisiana Department of Economic Development. The provisions of the Act shall become effective if, and when the Department of Natural Resources receives a letter of award from the United States Department of Energy evidencing the obligation of funding in the amount of at least $5 million per year, for a minimum of three years. Effective August 15, 2009.

For more information, please visit:
http://legis.state.la.us/lss/newWin.asp?doc=672162

12) Headquarter Growth Act - The Louisiana Headquarters and Growth Act was passed in July of 2005 and was an attempt to encourage businesses to stay in Louisiana and businesses to come to Louisiana. The Act provides exemptions for dividend and interest income, a shift on the taxation of gains from allocable income to proportional income and singe weighted sales factor proportional for certain types of businesses. Prior to the Act interest income was classified as allocable income, which meant that for corporations with a commercial domicile in Louisiana usually one-hundred (100%) percent of the interest income would be subject to tax in Louisiana. The Act effectively exempts this interest income from corporate tax in Louisiana by providing a deduction for any interest income that is included in federal gross income. Prior to the Act dividend income was classified as allocable income. Generally this was through the commercial domicile of the corporation receiving the dividends. The Act exempts dividend income from taxation completely. Prior to the Act allocable income for a corporation included profits or losses from the sale or exchange of property if the sale or exchange is not made in the regular course of business. After the Act, this gain or loss from the sale or exchange of property, whether or not made in the regular course of business and regardless of the character of the property sold is classified as apportionable income and attributable to Louisiana using the appropriate apportionment percentage. The Act also changes the apportionment percentage for any taxpayer's who net proportional income is derived primarily from the business of manufacturing or merchandising.

13) The Import Export Cargo Credit (Act 474) - Provides a tax credit against individual income tax, corporation income tax and corporation franchise tax. Only taxpayers receiving certification from the secretary of LED for the taxable year or years for the amount certified by the commissioner of administration that there will be sufficient revenue received by the state to offset the effect to the state of the tax credits, and approved by the Joint Legislative Committee on Budget and the state bond commission are eligible to take the credit. Eligible taxpayers include those international business entities which provide to LED a verified statement of cargo volume data in Louisiana for the calendar year prior to the year of the application for the credit. The credit amounts to 5 dollars times the amount of qualified cargo certified by LED.

14) Louisiana's Industrial Tax Exemption Program - Available exclusively to manufacturers, it exempts new manufacturing facilities and expansions from ad valorem taxes relating to land improvements, buildings, machinery, equipment, and any other property that is part of the manufacturing process. The taxes may be exempted for up to ten years.

15) Louisiana Industry Assistance Program - The Industry Assistance Program provides a tax exemption when manufacturers and their contractors give preference and priority to Louisiana manufacturers or Louisiana suppliers, engineers, contractors and labor, except where not reasonably possible due to added expense or substantial inconvenience. The Industry Assistance program is available to existing businesses with operating facilities in Louisiana. The company must be able to demonstrate that with the tax exemption, as well as its current and projected operating business plan, it will continue to maintain current employment levels and

commit to significant investment, allowing the company to grow and prosper in Louisiana. This program is administered by the LED Board of Commerce & Industry.

16) Inventory Tax Credit Programs - A refundable credit is allowed against income/corporate tax for 100% of the ad valorem taxes paid to political subdivisions in Louisiana on inventory held by manufacturers, distributors, and retailers. A copy of the inventory tax assessment and a copy of the cancelled check in payment of the tax must be attached to the return.

For more information, please consult:
Louisiana Revised Statute, Section 47:6006

17) The Investor Tax Credit (Act 474) - Provides a credit against any state income tax and corporation franchise tax equal to 5 percent per year of the capital cost of a qualifying port project; however, total credits granted cannot exceed the total cost of the project. Any unused credit may be carried forward 10 years. The Investor Tax Credit expires January 1, 2015.

For more information, please visit:
http://www.legis.state.la.us/billdata/streamdocument.asp?did=668775]

18) Low Income Housing Tax Credit - The Louisiana Housing Finance Agency oversees the credits and the allocation of the credits consistent with Louisiana's consolidated plan. Federal law requires that the allocation plan give priority to projects that (a) serve the lowest income families and (b) are structured to remain affordable for the longest period of time.

For more information, please visit:
http://www.lhfa.state.la.us/

19) Modernization Tax Credit (Act 447) - Creates a refundable credit against any income tax or corporation franchise tax at the rate of 5 percent of the qualified expenditures incurred by certain employers for modernization. The amount of the credit must be approved by the Louisiana Department of Economic Development. "Modernization" means capitalized investment by an employer in technology machinery, building and/or equipment that meets one of the following provisions:

(a) An increase in the increase of maximum capacity or efficiency of the facility of grater than 10 percent. The modernization must result in the facility adopting "best practices" technology for its industry and the company shall establish that without the investment that the facility would be a high risk for closure in the foreseeable future. Modernization doest not include the replacing of existing technology with the same or similar technology.

(b) An approved investment from a company with multi-state operations with an established competitive capital project program.

Effective August 15, 2009

For more information visit:
http://www.louisianaeconomicdevelopment.com/opportunities/incentives--programs/modernization-tax-credit.aspx

20) Net Capital Gains Deduction (Act 457) - Effective for tax periods starting on or after January 1, 2010, provides an individual income tax deduction for the net capital gains resulting from the sale or exchange of an equity interest in the assets of a business domiciled in Louisiana. According to the Department, net capital gains from this type of activity are normally recognized as taxable income for federal income tax purposes.

The Department advises taxpayers who claim this Louisiana deduction to retain their federal income tax form Schedule D on which the gain is reported and all supporting documentation, including any Schedule K-1(s), for a minimum of three years.

21) New Markets Credit (Act 463) - Requires the Louisiana Department of Economic Development to certify an industry as a target industry within 30 days of receipt of a certification request. For qualified equity investments issued on or after April 1, 2008, and before December 1, 2009, the maximum amount of qualified low-income community investments that may be issued by a single business, on an aggregate basis with all of its affiliates, and be included in the calculation of the fraction described in R.S. 47:6016(B)(1)(b), whether to one or more issuers of qualified equity investments, shall not exceed $5 million. On December 1, 2009, access is allowed to $12.5 million of credit allocation authority. The Department is required to respond to all applications for credit within 60 days unless there is a delay caused by the taxpayer. Effective July 8, 2009.

for more information visit:
http://www.louisianaeconomicdevelopment.com/opportunities/incentives--programs/new-market-tax-credit.aspx

22) Quality Jobs Program - Provides a cash rebate as an incentive to encourage targeted businesses to locate in Louisiana, create quality jobs and promote economic development. A $2,500 tax credit is awarded for each new permanent job created in the first 5 years. A rebate of 4% is awarded on Louisiana sales tax on the materials, machinery, and equipment purchased during the construction period and used exclusively on site.

23) Research and Development Tax Credit - Provides tax credits for R&D activities from 8% to 20% to companies claiming federal income tax credit for research activities. These companies will now be able to claim against state income and corporation franchise taxes up to 8% of the state's apportioned share of increased R&D expenses or 25% of its apportioned share of federal research credit claimed. Act 477 provides for a research and development tax credit for qualifying taxpayers who increase their research activities in Louisiana for taxable years beginning on or after January 1, 2003 until December 31, 2013. Act 477 in addition to extending the expiration date, makes it a refundable credit instead of a nonrefundable, transferable credit, and changes the number of Louisiana employees necessary to qualify for the different percentages of credit allowed under the statute.

24) Restoration Tax Abatement (RTA) - An economic development incentive created for use by municipalities and local governments to encourage the expansion, restoration, improvement, and development of existing commercial structures and owner-occupied

residences in Downtown Development Districts, Economic Development Districts, or Historic Districts. The RTA program does not exempt the acquisition cost of the structure. In addition, only equipment that becomes an integral part of that structure can qualify for this exemption. Property owners may have ad valorem taxes abated for a five-year period on the improvements made to an existing property during which time assessments and property taxes would remain at their pre-improvement value.

For more information visit:
http://www.louisianaeconomicdevelopment.com/opportunities/incentives--programs/restoration-tax-abatement.aspx

25) Historic Structure Rehabilitation Credit (Act 444) - Amends the credit for rehabilitation of historic structures so that the credit can be transferred an unlimited number of times. The Act provides that the credits can be transferred to one or more individuals or entities, including, but not limited to, non corporate entities such as partnerships and Limited Liability Companies. Effective July 8, 2009.

26) Alternative Fuel Credit (Act 469) - Repeals La. 47:38 and La. 47:287.757 relative to tax credits for conversion of vehicles to alternative fuel usage, and provides an incentive to persons or corporations to invest in qualified clean burning motor vehicle fuel property. This refundable tax credit is equal to 50 percent of the cost of the qualified clean burning motor vehicle fuel property and is allowed for the taxable period in which the property is purchased and installed. If the taxpayer is unable to or elects not to determine the exact cost attributable to the property, the taxpayer may claim a credit equal to 10 percent of the cost of the motor vehicle or $3,000, whichever is less, provided the motor vehicle is registered in Louisiana. Effective July 9, 2009 for amounts paid by the taxpayer on or after January 1, 2009.

27) Wind or Solar Energy Systems Credit (Act 467) - Extends the eligibility for the corporation and personal income tax credit for the cost and installation of a wind energy or solar energy system or both to a taxpayer who purchases and installs such a system in a residential rental apartment project which is located in Louisiana. Previously, the credit was available only to a taxpayer at his or her residence in Louisiana or by the owner or a residential rental apartment project. Only one tax credit is available for each eligible system. If the residential property or system is sold, the taxpayer who claimed the tax credit must disclose his or her use of the tax credit to the purchaser.
For more information visit: http://www.rev.state.la.us/forms/taxforms/1082(1_10)F.pdf

VI. Regional Incentives Offered:

1) Immigration through Investment Program - Under section 203(b)(5) of the Immigration and Nationality Act (INA), 8 U.S.C. § 1153(b)(5), 10,000 immigrant visas per year are available to qualified individuals seeking permanent resident status on the basis of their engagement in a new commercial enterprise. Of the 10,000 investor visas (i.e., EB-5 visas) available annually, 5,000 are set aside for those who apply under a pilot program involving a CIS-designated "Regional Center." Orleans Parish is a qualified Regional Center. Permanent

resident status based on EB-5 eligibility is available to investors, either alone or coming with their spouse and unmarried children. Eligible aliens are those who have invested -- or are actively in the process of investing -- the required amount of capital into a new commercial enterprise that they have established. They must further demonstrate that this investment will benefit the United States economy and create the requisite number of full-time jobs for qualified persons within the United States.

For more information please visit:
http://www.uscis.gov/portal/site/uscis

2) Industrial Revenue Bonds – Are issued by the New Orleans Industrial Development Board to finance industrial sites and buildings, equipment, storage facilities and pollution abatement and control projects.

For more information on the New Orleans Industrial Development Board:
http://www.idbcno.com/index.html

3) Payment in Lieu of Taxes (P.I.L.O.T) - The term "payment in lieu of taxes" (PILOT) can refer to a number of mechanisms. An economic development entity created of local Parish Council, is receiving requests from developers for significant tax breaks, including PILOT requests.

VII. Financial Assistance Programs Offered:

1) Exim Bank City/State Program - Through its relationship with the U.S. Export-Import Bank, the Louisiana Economic Development Corp. facilitates export working loans for Louisiana businesses.

2) Incumbent Worker Training Program - Louisiana has a $50 million fund to upgrade the skills of existing employees or train new employees of resident industry. Local workforce investment boards (WIBs), technical colleges and the Louisiana Department of Labor work will provide this benefit.

For more information visit:
http://www.laworks.net/WorkforceDev/IWTP/IWTP_MainMenu.asp

3) The Louisiana Department of Economic Development - offers both Venture Capital Match and Seed Capital Programs: In both programs the state offers businesses one dollar for every two of private investment. The Venture Capital Match Program requires funds to have at least $5 million of private investment while the Seed Capital Program offers co-investment and matching funds to promote company development and progress.

For more information visit: http://www.louisianaeconomicdevelopment.com/

4) Louisiana Industry Assistance Program - The Industry Assistance Program, managed by the Louisiana Department of Economic Development Board of Commerce & Industry,

provides a tax exemption when manufacturers and their contractors give preference and priority to Louisiana manufacturers or Louisiana suppliers, engineers, contractors and labor, except where not reasonably possible to do so without added expense or substantial inconvenience.

5) Louisiana State Market Commission Loans - Direct loans or loan guarantees for acquiring, constructing, furnishing, equipping, making needed improvements or purchasing an agricultural plant and for operating capital, market development costs and product inventories.

6) Louisiana Project Equity Fund - Louisiana Project Equity Fund is a new financing program created by the Louisiana Department of Economic Development (LDED) to assist small businesses in purchasing capital equipment and accompanying inventory and/or technology for enhanced production. The program is administered by the Louisiana Economic Development Corporation.

7) Workforce Development Grants - The Louisiana Department of Economic Development awards grants for workforce training costs up to $500,000 per project for new or existing companies creating at least 10 net new jobs in the state. On-The-Job Training (OJT): The benefits of this locally implemented federal program have been increased within the Gulf Opportunity Zone such that it now reimburses employers 100% of wages of newly hired employees for the first 160 hours, 80% for the second 160 hours, 60% for the third 160 hours and 50% for any training hours through completion. To utilize this program, you must complete an On-the-Job application. Training is meant for new skills a new hire will need to acquire. Employers will develop a training program of the skills needed by the new employee and an estimate of how long such training will take. New hires must be participants of the WIB system and have completed WIB screening, preferably prior to being officially hired.

DISCLAIMER