



# TAX INCENTIVES

# INVESTMENT IN NEW ORLEANS

Alex P. Trostorff, Esq.  
504/582-8232

Fred L. Chevalier, Esq.  
225/248-2046

William H. Hines, Esq.  
504/582-8272

JONES, WALKER, WAECHTER, POITEVENT, CARRÈRE & DENÈGRE L.L.P.

201 ST. CHARLES AVENUE • NEW ORLEANS, LOUISIANA 70170-5100 • 504-582-8000 • FAX 504-582-8583 • E-MAIL [info@joneswalker.com](mailto:info@joneswalker.com) • [www.joneswalker.com](http://www.joneswalker.com)

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## FEDERAL TAX INCENTIVES

GO Zone Bonus Depreciation. Allows taxpayers an additional first-year 50% bonus depreciation allowance on GO Zone property. Nonresidential real property or residential rental property must be placed in service on or before December 31, 2010. Certain tangible personal property qualifies if substantially all of the use of property is in the building and placed in service within 90 days after building is placed in service. Deduction allowed for AMT purposes. Recapture applies. Not available in conjunction with GO Zone Tax Exempt Bonds. May be carried back up to 5 years if it results in a net operating loss.

Rehabilitation Tax Credit. The 20 percent credit available for qualified expenditures of certified historic structures is increased to 26 percent. The 10 percent credit available for qualified rehabilitation expenditures with respect to buildings placed in service prior to 1936 is increased to 13 percent. The increased amounts apply to expenditures paid or incurred prior to January 1, 2009 and thereafter the 20 and 10 percent credit apply.

New Market Tax Credits. GO Zone tax legislation increases the allocation of new market tax credits by \$300 million for 2005 and 2006 and \$400 million for GO Zone Investments for 2007. The credit, claimed over seven annual allowance dates is 39% of the qualified investment and facilitates discounted rate financing (e.g., 200 basis points) and/or funding of equity (e.g., 15% of equity).

GO Zone Bonds. Additional tax-exempt private activity bonds, called Gulf Opportunity Zone bonds or GO Zone bonds, can be authorized prior to 2011 for the purpose of financing the construction and repair of real estate and infrastructure in the Gulf Opportunity Zone. Proceeds from the GO Zone bonds can be used for repairs and construction of both residential and nonresidential real property as well as for public utility projects. Qualified GO Zone bonds are treated as qualified mortgage bonds or as exempt facility bonds.

## LOUISIANA TAX INCENTIVES

Louisiana Motion Picture Investment Tax Credit Program. Louisiana provides three transferable tax credits relating to the motion picture industry:

- ▶ Infrastructure Credit – A transferable credit equal to 15% percent of the base investment expended on state-certified infrastructure project.
  
- ▶ Production Credit – A transferable credit equal to 25% of the investment made in a certified Louisiana production to the extent that the investment is spent by the production company within the state.

► **Production Employment Credit** – Louisiana also provides a credit equal to 10 percent of the amount of payroll paid to Louisiana residents employed with respect to a state-certified production. Thus, amounts invested in a state-certified production may be eligible for a 35% credit (the 25% investment credit and the 10% employment credit). Investment must generally be made and expended prior to January 1, 2008.

Musical and Theatrical Tax Credit. Proposed legislation for providing for a refundable 25 percent credit for state-certified infrastructure projects and state-certified musical or theatrical promotions. (Known as “Broadway South” legislation.)

Digital Interactive Media Producer Tax Credit. Louisiana provides a credit equal to a certain percentage of investments spent in the state on digital interactive media intended for commercial use or distribution and that are (i) produced for distribution on interactive media, including downloads; (ii) a computer-controlled virtual universe with which users may interact in order to achieve a goal or set of goals; and (iii) include an appreciable quantity of three of the following five types of data: text, sound, fixed images, animated images and 3D geometry. The credit is equal to 20% of the amount invested and spent in Louisiana in the first and second years following certification of the project; 15 % of the amount invested and spent in Louisiana in the first and second years following certification of the project; and 10% of the amount invested and spent in Louisiana in the first and second years following certification of the project.

State Historic Rehabilitation Tax Credit. For Louisiana income and franchise tax purposes, a historic rehabilitation tax credit of 25 percent of eligible costs and expenses incurred in the rehabilitation of a historic structure located in a downtown development district. The credit shall not exceed twenty-five percent of eligible costs and expenses of the rehabilitation. No taxpayer shall receive more than five million dollars of credit. This credit is transferable.

Restoration Tax Abatement. Generally, if an owner improves, renovates or adds on to a building, the assessed value goes up and so do the property taxes. Under the Louisiana Restoration Tax Abatement (“RTA”) Program, the assessed value and the property assessment can be frozen at the pre-improvement level for five years, resulting in substantial tax savings. In New Orleans, the RTA can be renewed for an additional five years. The tax abatement program is available for buildings individually listed in the *National Register of Historic Places* or buildings that are considered historic components of *Register* districts. It is also available for existing buildings in downtown or economic development districts. Another important feature of the state tax abatement program is that, in most cases, the financial benefit applies to additions to a building as well as to work on the building itself, thus increasing the tax savings.

Enterprise Zone Program. The Enterprise Zone Program is a Jobs incentive program that provides Louisiana Income and Franchise tax credits of \$2,500 for each new job filled by a business hiring a minimum number of net new employees. Thirty five percent of these new jobs must be filled from certain targeted groups. A business does not have to be

investing money, just creating additional jobs. The creation of jobs may result in sales/use tax rebates as well.

Quality Jobs Program. This program provides a cash rebate as an incentive to encourage targeted businesses to locate in Louisiana, create quality jobs and promote economic development. This program is administered by Louisiana Economic Development.

## FEDERAL TAX INCENTIVES

Based on \$40 Million Investment With \$5 Million Land and Existing Structure Acquisition

1. GO Zone Bonus Depreciation No Rehabilitation Tax Credit – Tax Savings 17.5% of Improvement Capital

$$\begin{array}{r} \text{Depreciation} \\ \$35 \text{ Million} \\ 50\% \\ \hline \$17.5 \text{ Million} \times 35\% = \$6.125 \text{ Million First Year Tax Savings} \end{array}$$

2. GO Zone Depreciation Qualified Rehabilitation (Not Historic) Tax Credit – Tax Savings 24% of Improvement Capital

$$\begin{array}{r} \text{Depreciation} \\ \$35 \text{ Million} \\ 50\% \\ \hline \$17.5 \text{ Million} \times 35\% = \$6.125 \text{ Million} \end{array} \quad \begin{array}{r} \text{Credit} \\ \$17.5 \text{ Million} \\ 13\% \\ \hline \$2.275 \text{ Million} \end{array} \quad \text{Tax Savings} = \$8.4 \text{ Million First Year Tax Savings}$$

3. GO Zone Depreciation Qualified Historic Tax Credit – Tax Savings 30.5% of Improvement Capital

$$\begin{array}{r} \text{Depreciation} \\ \$35 \text{ Million} \\ 50\% \\ \hline \$17.5 \text{ Million} \times 35\% = \$6.125 \text{ Million} \end{array} \quad \begin{array}{r} \text{Credit} \\ \$17.5 \text{ Million} \\ 26\% \\ \hline \$4.55 \text{ Million} \end{array} \quad \text{Tax Savings} = \$10.675 \text{ Million First Year Tax Savings}$$

4. No GO Zone Depreciation Qualified Rehabilitation (Not Historic) Tax Credit – Tax Savings 13% of Improvement Capital

Credit  
\$35 Million  
13%  
\$4.55 Million First Year Tax Savings

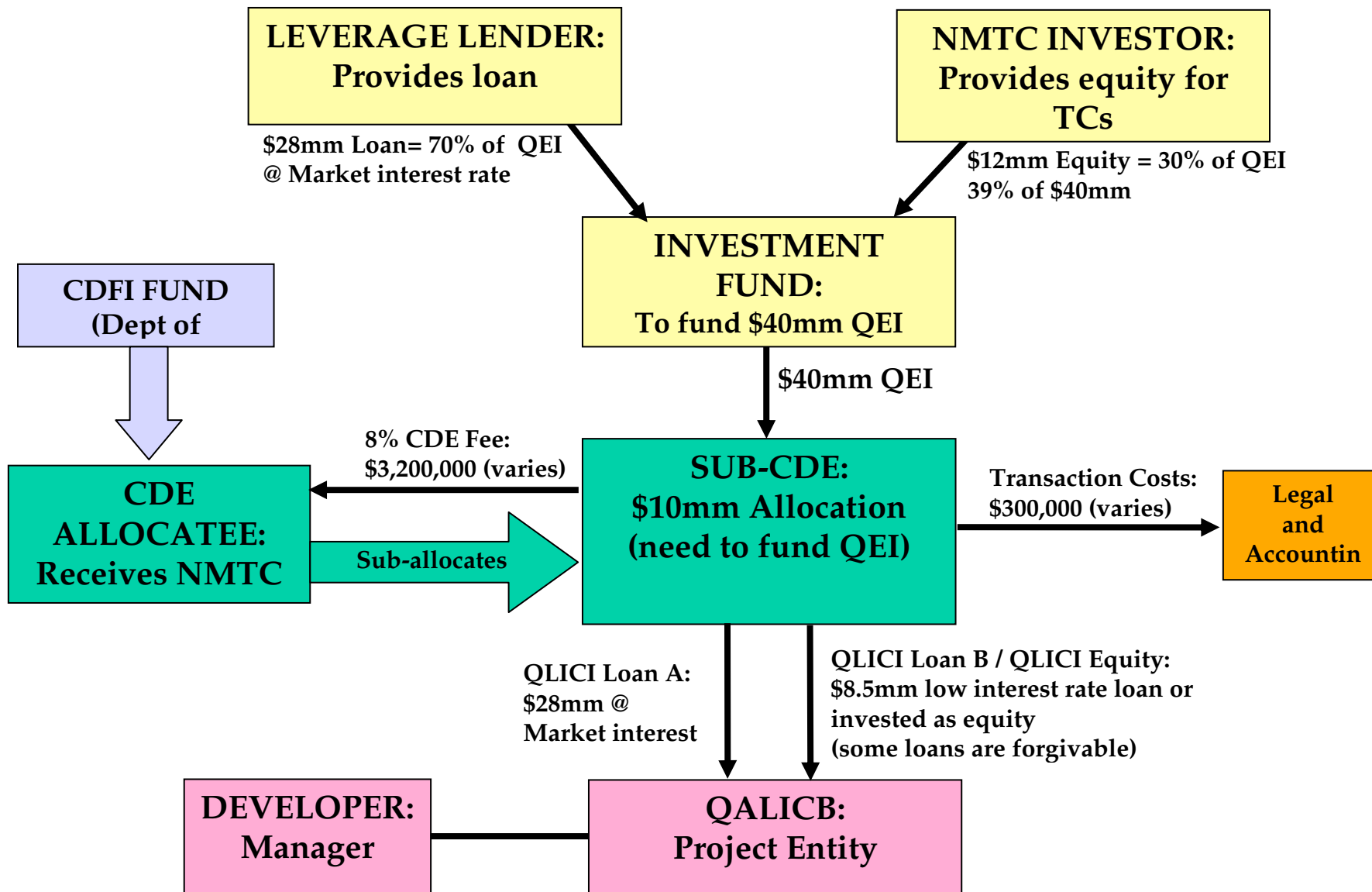
5. No GO Zone Depreciation Qualified Historic Tax Credits – Tax Savings 26% of Improvement Capital

Credit  
\$35 Million  
26%  
\$9.1 Million First Year Tax Savings

#### **STATE TAX INCENTIVES**

Additional savings of up to 25% (under Louisiana Motion Picture Investment Tax Credit Program or, if enacted, under the proposed Musical and Theatrical Tax Credit Legislation), plus, if applicable, 25% under State Historic Rehabilitation Credit.

# New Market Tax Credits



*Not all structures are the same.*

## **IRS Circular 230 Disclaimer**

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