R-21000 (03/24)

2024 RETURN ON INVESTMENT ANALYSIS

FOR SELECTED LOUISIANA TAX INCENTIVE PROGRAMS

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Executive Summary

Louisiana Revised Statute 47:1517.1 requires that the Louisiana Department of Revenue (LDR) "perform a comprehensive return on investment analysis for all tax incentives for which the revenue loss was one million dollars or more in the previous fiscal year." Return on Investment (ROI) is a measure of the profitability of an investment widely used by businesses and government.

This report serves as LDR's comprehensive analysis of the ROI of ten of Louisiana's largest tax incentive programs that had revenue loss of more than $1 million in FY 2023.

This report details the economic and fiscal impact of the following tax incentives provided during FY 2023:

1. Motion Picture Investor Tax Credit (Film)
2. Enterprise Zone Program (EZ)
3. Louisiana Quality Jobs Program (QJ)
4. Digital Interactive Media & Software Tax Credit (DM)
5. Rehabilitation of Historic Structures (RHS)
6. Industrial Tax Equalization Program (TE)
7. Retention and Modernization Credit (R&M)
8. Procurement Processing Company Rebate Program (PPC)
9. Research and Development Tax Credit (R&D)
10. Angel Investor Tax Credit (AITC)

In addition to information related to the ROI, this report includes information regarding a 2023 survey questionnaire sent to businesses by LDR receiving incentives from the Louisiana Quality Jobs Program. The purpose of the survey was to assess businesses' opinions about the incentive program, industrial structure of businesses, and the preference of location compared to potential tax incentives in their decision to expand or relocate in Louisiana.

Economic & Fiscal ROI Results

The analysis in this report employed an assumption of a balanced budget for government spending where a reduction in state revenues leads to a proportional decline in state expenditures to estimate the economic and fiscal impacts generated by the selected tax incentive programs by calculating the average annual expected GDP and state revenue, economic ROI, and fiscal ROI.

In 2023, ten business incentive programs provided more than $1 million in tax incentives to qualifying businesses with a total cost of over $501 million. These programs are expected to grow Louisiana's economy by approximately $722 million while the state only recoups approximately $49 million. These programs have a net economic impact of approximately $221 million, whereas the state bears a net revenue loss of around $453 million.

Return on Investment (ROI) of Tax Incentives (FY 2023)		
Incentive	**Economic ROI**	**Fiscal ROI**
Digital Interactive Media & Software Tax Credit (DM)	80.11%	-88.84%
Quality Jobs (QJ)	67.66%	-89.32%
Motion Picture Investor Tax Credit (Film)	60.04%	-89.58%
Enterprise Zones (EZ)	23.76%	-91.41%
Rehabilitation of Historic Structures (RHS)	13.61%	-91.15%
Procurement Processing Company Rebate Program (PPC)	11.98%	-91.84%
Retention & Modernization Credit (R&M)	4.66%	-94.37%
Research & Development Tax Credit (R&D)	-8.97%	-92.67%
Industrial Tax Equalization Program (TE)	-16.52%	-95.19%
Angel Investor Tax Credit (AITC*)	-18.70%	-92.71%

AITC*: *More than 97% of the Angel Investor Tax Credit was claimed as a refundable individual income tax credit. The original expenditure may be in the form of capital improvements, plant equipment, research and development, and working capital. Due to this incentive's nature as investments in LED-certified businesses, the resulting economic activity may be realized in future years.*

Major ROI Changes

- The economic value-added component of the LDR's analysis varies based on the industrial sector (NAICS) in which the incentive benefits.
- LDR's analysis includes a review of taxpayers' income tax returns. With some incentives, the tax year in which the incentive is claimed (e.g., refundable or nonrefundable income tax credit) on an income tax return may differ from the tax year in which the desired action of the incentive program is performed (e.g., creating new jobs, rehabilitating a historic building).
- Due to allocation of incentives within a consolidated group of businesses and pass-through entities, the entity that earns an incentive may differ from the entity that claims the incentive.
- The difference/spread in estimates of ROI for the FY 2023 and FY 2022 that measure the percentage point difference in the ROI between two recent fiscal years is calculated as:

$$ROI\ Spread = ROI_{2023} - ROI_{2022}$$

- The Fiscal ROI Spread is positive for DM, QJ, Film, EZ, RHS, PPC, and AITC, meaning that the Fiscal ROI of these programs in FY 2023 is greater than that of FY 2022. On the other hand, Fiscal ROI in FY 2023 is lower than FY 2023 for R&M, R&D, and TE as suggested by the negative Fiscal ROI Spread.
- The Economic ROI Spread is positive for DM, Film, PPC, and AITC meaning that their Economic ROI is higher in FY 2023 than in FY 2022. The Economic ROI Spread is negative for the remaining programs suggesting that their 2023 Economic ROI is lower than their 2022 Economic ROI.

ROI Comparison Between FY 2023 and FY 2022

Incentive	2023 Fiscal ROI	2022 Fiscal ROI	Fiscal ROI Spread	2023 Economic ROI	2022 Economic ROI	Economic ROI Spread
DM	-88.84%	-92.92%	4.08%	80.11%	38.13%	41.98%
QJ	-89.32%	-91.38%	2.06%	67.66%	70.56%	-2.90%
Film	-89.58%	-93.59%	4.01%	60.04%	24.12%	35.92%
EZ	-91.41%	-94.30%	2.89%	23.76%	46.21%	-22.45%
RHS	-91.15%	-91.30%	0.15%	13.61%	24.78%	-11.17%
PPC	-91.84%	-93.61%	1.77%	11.98%	4.34%	7.64%
R&M	-94.37%	-89.06%	-5.31%	4.66%	110.34%	-105.68%
R&D	-92.67%	-91.68%	-0.99%	-8.97%	29.28%	-38.25%
TE	-95.19%	-93.93%	-1.26%	-16.52%	1.85%	-18.37%
AITC	-92.71%	-95.42%	2.71%	-18.70%	-40.03%	21.33%

- There is no significant change in the Fiscal ROI of the programs analyzed. The Fiscal ROI Spread, calculated as the difference between the Fiscal ROI for FY 2023 and FY 2022, ranges from -5.31% to 4.08%.
- There are, however, some significant changes in the Economic ROI of the incentives listed above.
- The Economic ROI for Digital Interactive Media & Software Credit has increased by 41.9 percentage points from 38.13% in FY 2022 to 80.11% in FY 2023. In both FY 2022 and FY 2023, a large share of incentive dollars was directed towards industries in Professional, Scientific, and Technical Services (NAICS 54). This particular industry accounted for 74.09% of the credits in FY 2022 and 67.71% in FY 2023.

- The Economic ROI of the Motion Picture Investor Tax Credit increased by 35.92 percentage points from 24.12% in FY 2022 to 60.04% in FY 2023. Although the amount of credits received by businesses under this program has decreased from $156.1 million in FY 2022 to $134.48 million in FY 2023, the increase in GDP attributed to this program has increased from $193.8 million to $215.22 million. In recent years, the vast majority of these credits have been transferred back to the state via buybacks. Only a small portion, approximately $1-1.5 million, is claimed against a state tax liability. The primary industry affected is the Picture and Sound Recording Industry (NAICS 512) for both years, but the share of credits to this industry has slightly decreased from 79.43% to 77.94%. Credits received by Religious, Grant Making, and Similar Organizations (NAICS 813), however, increased from 6.43% to 16.75%, which may have contributed to the increase in the Economic ROI.

- The Economic ROI for Retention & Modernization has decreased by 105.68 percentage points from 110.34% in FY 2022 to 4.66% in FY 2023. This decrease might be a result of a decrease in the total incentives received by businesses under this program, going from $4.1 million in FY 2022 to $2.30 million in FY 2023. In FY 2022, the Chemical Manufacturing sector (NAICS 325) received 50.61% of the incentives whereas Primary Metal Manufacturing sector (NAICS 331) received 47.41% of the total incentives. In FY 2023, however, the share of incentives received by Chemical Manufacturing sector decreased to 33.10%, but Paper Manufacturing (NAICS 322) increased to 62.55%. This material change in the industries receiving the R&M credit may also be another possible reason for the large drop in the Economic ROI for this program.

- The Economic ROI Spread for Research & Development Tax Credit is -38.25%. The Economic ROI has decreased from 29.28% in FY 2022 to -8.97% in FY 2023. The total incentives received by businesses under this program has increased from $5.50 million in FY 2022 to $11.48 million in FY 2023. There is a significant increase in the credits received by Chemical Manufacturing sector with 9.87% in FY 2022 to 33.29% in FY 2023, whereas the credits received by Railroad Construction (NAICS 482) and Petroleum and Coal Product Manufacturing (NAICS 3214) have dropped by 33.20% and 12.42% respectively.

- The Economic ROI for Enterprise Zones has decreased by 22.45 percentage points between FY 2023 and FY 2022. The amount of credits received by businesses under EZ has also dropped significantly from $43.8 million in FY 2022 to $23.07 million in FY 2023. The composition of industry sectors between the two fiscal years is largely different which could possibly explain the huge difference in the Economic ROI between the two years. In 2022, Petroleum and Coal Manufacturing (NAICS 324) received 62.19%, and Hospitals, Private (NAICS 622) received 14.57% of the incentives. In FY 2023, Real Estate (NAICS 531) is the largest sector with 37.80%, followed by Hospitals, Private with 23.50% of the incentives.

Highlights of 2023 Quality Jobs Business Survey

- In the spring of 2023, LDR surveyed the 132 businesses receiving Quality Jobs (QJ) program incentives. The response rate was 44.69%. Businesses involved in Professional, Scientific, and Technical Services (NAICS 54) represent the 16.95% of the 59 responses received.
- 59.32% of the respondents are headquartered in Louisiana. Of those in Louisiana, about half of the respondents operating in Louisiana have been operating in Louisiana for more than 20 years. The average length of the businesses' QJ program contract is 6.37 years.
- 62.07% of businesses report that they plan to expand Louisiana workforce within the next 12 years.
- **66.10% of the businesses report that they would have located in Louisiana even if the QJ program were not available to their businesses,** whereas only 25.42% mention that they would not have located in Louisiana if not for the QJ program.
- 31.03% of the businesses would have proceeded as planned if the QJ program had not been available.
- More than half of the businesses responding to the survey find the QJ program very important to create jobs (61.40%), expand current facilities (56.14%), remain in business in Louisiana (56.14%), increase economic value (63.16%), and increase profitability (64.29%).
- 47.46% of the businesses considered locating/expanding to another state/country before receiving QJ program benefits; however, 27.12% were unsure.
- 28.81% of businesses find the Louisiana QJ benefits more attractive than other states, whereas 6.78% find them less attractive than other states. Approximately one-third of the respondents find the QJ benefits similar to other states.
- 42.54% of the businesses say that incentives are more important, whereas 45.76% of them say that location is more important than incentives. 1.69% of businesses responding could not determine which was more important because they inherited the QJ program contract when they acquired their businesses.
- 56.14 % of the respondents consider the QJ program a main factor in the expansion of their business in Louisiana or relocation to Louisiana, whereas 42.11% do not consider it to be a main factor.
- Other than the Quality Jobs Program, **72.41% of the businesses have participated in other Louisiana business incentive programs over the previous two years**. 76% of QJ recipients also participated in Industrial Tax Equalization Program (TE) and 11.63% of them have also participated in the Research and Development Tax Credit.

Methodology

This report employs a Louisiana-specific version of the Regional Economic Models, Inc. (REMI) Tax-PI version 3.1.0 model to perform an impact analysis of tax incentives. The Tax-PI model is calibrated by REMI with state revenue and expenditure data along with data on Louisiana's industrial composition. While employing a single-region 70-sector model, changes in the region do not have an endogenous effect on the rest of the nation. Furthermore, the model assumes that firm and industry growth is endogenous and induced within the state. In addition to reporting the return on investment of the major tax incentives programs, this report also provides summary statistics of the responses from the survey sent to businesses by LDR in 2023 that receive incentives under the Louisiana Quality Jobs Program.

The analysis reflects structural simulations of the economic and fiscal effects of reductions in firm capital costs – through tax incentives in corporate, franchise, and fiduciary income taxes – along with tax incentives in personal income taxes and sales taxes for the Louisiana economy under a balanced budget scenario. This report employs administrative data from the Louisiana Department of Revenue for 2023 on the actual total incentives issued, the industries where rebates were concentrated, and data on the type of incentives allotted (corporate, individual, and sales taxes). Additionally, this report analyzes administrative data of companies receiving job credits or payroll tax rebates from the EZ and QJ programs to calibrate the distribution of industries receiving tax incentives. The latter was required due to the gaps in self-reported industry classification provided by tax incentive recipients.

For maximum specificity, the analysis links tax exemption amounts to industries and to the tax exemption types to create a calibrated model that best captures the collective economic impacts of each tax incentive program. The economic impact of different types of tax incentives across the industries covered by the selected programs is modeled to run a forecast that encompasses all of the potential gains from a selected tax incentive for the selected period. This allows us to report the broader economic return on investment as well as the fiscal return on investment using the personal income growth estimates.

We calculate the estimated economic return on investment from each program to the Louisiana economy through 2032 by calculating the net benefit of each program (the economic value-added minus the total program costs), dividing that number by the total program cost, and multiplying times 100 as follows:

$$\text{Economic ROI} = \frac{(\text{Value Added - Total Cost})}{\text{Total Cost}} \times 100\%$$

Economic ROI reflects the growth in the GDP of the state by affecting the growth in consumption expenditures, private investment, government expenditures, and net exports after accounting for the costs of the incentives.

Similarly, the fiscal return on investment is revenue added minus the total program costs, dividing that number by the total program cost, and multiplying times 100 as follows:

$$\text{Fiscal ROI} = \frac{(\text{Tax Revenue - Total Cost})}{\text{Total Cost}} \times 100\%$$

ROI can be calculated using either a gross calculation method or a net calculation method; however, utilization of the net calculation method provides a more realistic measurement of return.

Consider the methods used below to calculate ROI using both approaches for fiscal return:

$$\text{Gross Fiscal ROI} = \frac{(\text{State tax revenue})}{(\text{Cost of incentive})} \times 100\%$$

$$\text{Net Fiscal ROI} = \frac{(\text{State tax revenue - Cost of incentive})}{(\text{Cost of incentive})} \times 100\%$$

As illustrated in the equations on the previous page, only the net approach deducts the cost of the incentives while calculating ROI. Deducting the cost of the incentive is important in determining whether Louisiana realized a gain or loss to state tax revenues by providing certain tax incentives.

It is worth noting that if the tax revenue generated by the incentive is higher than the cost, the Fiscal ROI is positive; however, if the tax revenue is lower than the cost, the Fiscal ROI is negative. It is impossible to determine whether the state realized a gain or loss from the incentives if the cost of the incentive is not included in the calculation. The net calculation method will always result in a lower ROI than the gross calculation method because the cost of the incentive is deducted from the state tax revenue gained from the incentive itself.

Gross and net Economic ROIs are also analogous to Fiscal ROI with the only difference being that the Economic ROI accounts for gross domestic product/value-added instead of solely looking at the increase in state tax revenues from the incentive.

Tax incentives can have economic impacts beyond the jobs and income generated by the targeted industry/sector. Often it is not easy to decipher complex economic data to evaluate the benefits and costs of tax incentives aimed toward industries to locate, expand, or create jobs. A multiplier is a single number that summarizes the total economic benefits of government spending that stems from the change in the local economy. In other words, a multiplier summarizes the expected impact on the economy from a change in a given economic activity. For example, increased investment by a chemical manufacturing facility receiving tax incentives can have ripple effects on the economy beyond the chemical manufacturing sector. Industries with high multipliers have strong backward linkages in their supply chain.

The source of such impacts can be broken down into different components: direct, indirect, or induced effects. The direct effects of tax incentives are the initial changes in economic activity in the targeted sector. Indirect effects result from the business-to-business purchases in the supply chain that stem from the direct effects. The induced effects result from the increased personal income caused by both direct and indirect effects. The multiplier effect of tax incentives in this study represents the summation of these three effects. Different types of multipliers are available to gauge the change in employment or the economic activity in the local economy. Here, we focus on the economic multiplier often calculated as the ratio of total effects to the direct effect and expressed as a dollar-of-impact per dollar-of-change. Economic multipliers (multiplier effects) provide estimates of the additional value added to the economy because of the economic activity from the firms receiving tax incentives. For example, a multiplier effect of 2.6 means that the increase in every dollar of economic output results in an additional $1.6 of indirect and induced economic activity in the local economy. In other words, for every dollar of economic output in targeted industries, $2.6 of activity is generated in the local economy, i.e., the original dollar and the spillover effect of a further $1.6. This study calculates the economic multiplier defined as a Type II multiplier by REMI as follows:

$$\textit{Multiplier} = \frac{(\textit{Direct} + \textit{Indirect} + \textit{Induced Effects})}{\textit{Direct Effects}}$$

Readers should keep in mind the distinction between the ROI and multipliers reported in this study. **Economic ROI explains the net growth in GDP the state experiences because of each dollar it spends in tax incentives, whereas Fiscal ROI explains the net amount the state receives as tax revenues for every dollar it spends in tax incentives.**

Economic multipliers, on the other hand, explain the economic activity from the spillover effects of each dollar of economic activity generated by the targeted industries. REMI takes into account the multipliers of all major industry groups in the models used in the forecasts. Readers may also find it helpful to interpret the ROIs in percentages and multipliers as simple ratios.

We simulated the forecasts for tax revenue and state GDP for each tax incentive one at a time in REMI's Tax-PI software. The estimated revenue and GDP given by the REMI software are forecasted based on the expenditures for particular tax incentives where all other factors remain unchanged. This methodology follows standard approaches of fiscal and economic impact analysis performed using state-specific REMI Tax-PI software. Future values of ROI depend on correctly calibrating the REMI software. However, the effectiveness of the incentives to generate tax revenue and grow state GDP is also equally important in determining whether the future values of ROI will be positive or negative.

General Overview of Tax Incentives

The design and administration of tax incentive programs substantially shape the potential economic and fiscal returns to the state by affecting the location, hiring, and investment decisions of the businesses. State governments aim to attract and increase business activities with economic development policies, including lower business tax rates and increased tax incentives. These incentives target both new and existing businesses with special tax credits/rebates along with other financial benefits or services. This section provides an overview of the selected tax incentive programs with an emphasis on the structure of the tax incentives.

General Overview of Selected Tax Incentive Programs			
Agency & Program	**Major Industries**	**Effective**	**Sunset**
Department of Economic Development			
Digital Interactive Media & Software Tax Credit	NAICS 51, 54	06/30/2005	N/A
Motion Picture Investor Tax Credit	NAICS 512	01/01/1993	7/1/2031
Retention & Modernization Credit	NAICS 322, 325	08/15/2009	N/A
Research & Development Tax Credit	NACIS 322, 325	12/31/2002 Income 12/31/2003 Franchise	12/31/2025
Industrial Tax Equalization Program	NACIS 42, 522	09/03/1989	N/A
Angel Investor Tax Credit	N/A (Individual Income)	01/01/2005	7/1/2025
Department of Revenue			
Louisiana Quality Jobs	NAICS 321, 325, 55	07/01/1995	6/30/2026
Enterprise Zones	NAICS 23, 531, 622	09/11/1981	7/1/2026
Procurement Processing Company Rebate Program	NAICS 561	07/01/2012	N/A
Department of Culture, Recreation, & Tourism			
Rehabilitation of Historic Structures	NAICS 44, 45, 55,533	07/01/2002	1/1/2026

Digital Interactive Media and Software Tax Credit Program

The Digital Interactive Media and Software Tax Credit is intended to encourage the development of a strong capital base for the production of digital interactive media to achieve a more independent, self-supporting industry. Program benefits include the following:

- Up to a 25% refundable tax credit for in-state labor
- Up to an 18% refundable credit for eligible production expenses

The program has no annual cap and no minimum spending requirement. The tax credit is available for a refund of 100% of its value claimed on Louisiana state tax return, or certified applicants can receive 85% of the value earned as a rebate any time during the year.

The Louisiana Quality Jobs Program

The Louisiana Quality Jobs Program provides an incentive to encourage businesses to locate or expand existing operations in Louisiana and create quality jobs focusing on Louisiana Vision 2020 and seed clusters industries. These industries include, but are not limited to, biotechnology, biomedical, micro-manufacturing, software and internet, clean energy, food technology, and advanced materials. Participating businesses must create a minimum number of full-time jobs and provide a basic health benefit plan to employees within 90 days of hire. The benefits of the program include the following:

- A 4% or 6% payroll rebate for new direct jobs based on the hourly wage rate
- Either a rebate of state sales and use taxes paid at the prevailing rate on qualifying materials, machinery, furniture, and/or equipment purchased or a 1.5% project facility expense rebate on the total capital investment, excluding tax-exempted items

Motion Picture Investor Tax Credit

The Motion Picture Investor Tax Credit is intended to encourage the development in Louisiana of a strong capital base for motion picture production to achieve an independent, self-supporting industry. The benefits include the following:

- For state-certified productions meeting certain criteria, an income or franchise tax credit of up to 40% for qualified expenditures
- For Qualified Entertainment Companies (QEC) meeting certain criteria, the program provides a payroll tax credit of up to 20%

Enterprise Zones

Enterprise Zones are geographical areas with high unemployment, low income, or a high percentage of residents receiving public assistance. The EZ program is a jobs incentive program that provides Louisiana income and franchise tax credits to a new or existing business located in Louisiana that creates permanent net new full-time jobs and hires at least 50% of those net new jobs from one of four targeted groups. The benefits provided include the following:

- A one-time $3,500 or $1,000 job tax credit for each net new job created; and
- Either a rebate of state sales and use taxes paid at the prevailing rate on qualifying materials, machinery, furniture, and/or equipment purchased or a 1.5% refundable investment tax credit on the total capital investment, excluding tax-exempted items. The state sales and use tax rebate or 1.5% rebate shall not exceed $100,000 per net new job created under the contract.

Rehabilitation of Historic Structures

The Rehabilitation of Historic Structures tax credit program provides a non-refundable credit for the eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development or a cultural district. Eligible structures must be nonresidential real property or residential rental property. The benefits include the following:

- A credit equal to 25% of the eligible costs and expenses of the rehabilitation incurred before January 1, 2018
- A credit equal to 20% for eligible costs and expenses incurred on or after January 1, 2018

No taxpayer or affiliate shall claim more than $5 million dollars of credit per year for any number of structures rehabilitated within a particular downtown development or a cultural district.

Procurement Processing Company Rebate Program

The Procurement Processing Company Rebate Program is intended to recruit to Louisiana purchasing companies that generate sales of items subject to state sales and use taxes. The secretary of the Department of Economic Development (LED) is authorized to enter into contracts with procurement processing companies, and these contracts provide a rebate to these procurement processing companies which are derived from a portion of the state sales and use taxes collected on new taxable sales by the purchasing company which is managed by the procurement processing company under contract with LED. While LED is the statutorily designated government representative, this authority was transferred to LDR so as to review transactions and issue rebates as appropriate. The initial term of the contract cannot exceed 20 years and can be renewed for up to an additional 20 years. Program benefits include the following:

- A rebate of the contractually agreed upon percentage of state sales tax on new taxable sales by the purchasing company

Retention and Modernization Credit

The Retention and Modernization credit is intended to provide an incentive for businesses to remain in the state and not relocate outside the state and to modernize their existing operations in Louisiana. The program is discretionary, and businesses must be invited by the Secretary of LED to participate in the program. The credit is a non-refundable income and franchise tax credit with a ten-year carryforward period. Program benefits include the following:

- A credit at the rate of up to 5% of the qualified expenditures incurred by the employer for modernization with the credit divided into equal portions for five years

Research and Development Tax Credit

The Research and Development tax credit is intended to encourage new and continuing efforts to conduct research and development activities within the state. The program is open to companies that have incurred research and development expenditures in Louisiana and have met certain requirements. Louisiana has three different types of research and development applicants who earn credits at different rates and have different filing requirements: 1) businesses that increase in Louisiana Research and Development (50+ employees), 2) businesses that receive a Small Business Innovation Research Grant (SBIR/STTR) from the federal government, and 3) businesses that employ fewer than 50 employees, including affiliates.

The following types of businesses that do not have a pending or issued United States patent directly related to the qualified research expenditures for which a credit is being claimed according to La. R.S. 47:6015 are ineligible to apply for or receive benefits unless specifically invited by LED to do so: 1) a professional services firm or 2) businesses primarily engaged in custom manufacturing and custom fabricating.

Program benefits include the following:

- Up to a 30% tax credit on qualified research expenditures incurred in Louisiana

Industrial Tax Equalization Program

The Industrial Tax Equalization Program is intended to encourage the establishment and retention of manufacturing establishments, headquarters, or warehousing and distribution establishments in Louisiana by providing a procedure whereby the total state and local taxes imposed upon these establishments may be reduced, after all other tax incentives for specific sites are applied, to the levels imposed by other competing states.

The Board of Commerce and Industry may enter into a tax equalization contract only if each of the following requirements is met by the manufacturing establishment, headquarters, or warehousing and distribution establishment:

- The establishment must either be located in another state or be located in Louisiana and contemplating locating in another state that has equivalent or comparable advantages as the area in Louisiana in which the establishment is or seeks to be located.
- The state in which the establishment is located or is contemplating locating must have a total state, parish, and local tax structure that offers a greater tax advantage to the establishment than does the taxing structure of Louisiana.
- The applicant for tax equalization may be any form of business entity.
- The sites under consideration in Louisiana and the competing state must be valid and viable for the proposed operations.
- The secretary of LED must make a recommendation to the governor to extend an invitation to apply for tax equalization.
- The applicant must receive an invitation to apply from the governor.

Angel Investor Tax Credit

The Angel Investor Tax Credit Program intends to encourage third parties to invest in early-stage wealth-creating businesses in the state, expand the economy of the state by enlarging its base of wealth-creating businesses, and enlarge the number of quality jobs available to retain the presence of young people educated in the state. The benefits of this program include the following:

- A 25% tax credit on investments by accredited investors who invest in LED-certified businesses, such as Louisiana Entrepreneurial Businesses (LEB)
- An enhanced tax credit of 35% on investments by accredited investors who invest in LEBs located in qualified Opportunity Zones

This program has a $7.2 million annual cap, and the investors can invest $720,000 per business per year and $1.44 million per business over the life of the program. The qualifying uses of investment funds include capital improvements, plant equipment, research and development, and working capital. The incentive is available to businesses in Louisiana that are not involved in retail, real estate, professional services, gaming or gambling, natural resource extraction or exploration, or financial services like venture capital funds. Furthermore, the investment funds are not eligible to pay dividends, redeem shares, repay debts, or repay shareholder's loans.

Findings: FY 2023

- Louisiana's economy gains an annual average of $721.85 million in state gross domestic product with a net economic impact of $220.19 million from the ten business tax incentive programs.

- Louisiana's fiscal budget is projected to have an annual revenue loss of $452.97 million from the tax incentives issued under the ten elected programs. Of the $501.66 million of total incentives issued for these programs in FY 2023, the state of Louisiana recoups an annual average of $48.69 million as tax revenue.

- The Economic Return on Investment (the net economic benefit for the Louisiana economy observed in the state gross domestic product) for the selected programs ranked from highest to the lowest are as follows:

  1. Digital Interactive Media & Software Tax Credit (80.11%)
  2. Quality Jobs (67.66%)
  3. Motion Picture Investor Tax Credit (60.04%)
  4. Enterprise Zones (23.76%)
  5. Rehabilitation of Historic Structures (13.61%)
  6. Procurement Procession Company Rebate Program (11.98%)
  7. Retention & Modernization Credit (4.66%)
  8. Research & Development Tax Credit (-8.97%)
  9. Industrial Tax Equalization Program (-16.52%)
  10. Angel Investor Tax Credit (-18.70%)

  This means that the state economy measured by state gross domestic product grows by 80.11 cents for every dollar spent on the Digital Interactive Media & Software Tax Credit program after accounting for the program costs. Similarly, the Louisiana economy shrinks by 18.70 cents for every dollar spent on the Angel Investor Tax Credit Program after accounting for the program costs.

- The Fiscal Return on Investment (the net fiscal benefit for the Louisiana state budget observed in state tax revenues) for the selected ten programs ranked from the highest to the lowest are as follows:

  1. Digital Interactive Media & Software Tax Credit (-88.84%)
  2. Quality Jobs (-89.32%)
  3. Motion Picture Investor Tax Credit (-89.58%)
  4. Rehabilitation of Historic Structures (-91.15%)
  5. Enterprise Zones (-91.41%)
  6. Procurement Processing Company Rebate Program (-91.84%)
  7. Research & Development Tax Credit (-92.67%)
  8. Angel Investor Tax Credit (-92.71%)
  9. Retention & Modernization Credit (-94.37%)
  10. Industrial Tax Equalization Program (-95.19%)

  This means that the state revenue shrinks by 88.84 cents to 95.19 cents for each dollar spent in the selected ten incentive programs. Conversely, the state recoups only 4.81 cents to 11.16 cents of each dollar spent in the selected ten incentive programs.

Fiscal and Economic Impact of Selected Tax Incentive Programs: FY 2023											
	DM	QJ	Film	EZ	RHS	PPC	R&M	R&D	TE	AITC	Total
Annual Tax Incentives	$16.91M	$150.06M	$134.48M	$23.07M	$86.25M	$73.10M	$2.30M	$11.48M	$2.20M	$1.78M	$501.66M
GDP/Value Added	$30.46M	$251.59M	$215.22M	$28.55M	$98.00M	$81.86M	$2.40M	$10.45M	$1.84M	$1.44M	$721.85M
Net Economic Impact	$13.55M	$101.53M	$80.74M	$5.48M	$11.74M	$8.76M	$108.28K	-$1.03M	-$364.28K	-$333.36K	$220.19M
State Revenue	$1.88M	$16.08M	$14.00M	$1.98M	$7.63M	$5.96M	$129.40K	$841.44K	$105.88K	$129.88K	$48.69M
Tax Revenue Loss	$15.02M	$134.04M	$120.47M	$21.08M	$78.62M	$67.13M	$2.17M	$10.64M	$2.09M	$1.65M	$452.97M
Fiscal ROI	-88.84%	-89.32%	-89.58%	-91.41%	-91.15%	-91.84%	-94.37%	-92.67%	-95.19%	-92.71%	
Economic ROI	80.11%	67.66%	60.04%	23.76%	13.61%	11.98%	4.66%	-8.97%	-16.52%	-18.70%	

Notes: DM – Digital Interactive Media & Software Tax Credit, QJ – Louisiana Quality Jobs Program, Film – Motion Picture Investor Tax Credit, EZ – Enterprise Zones, RHS – Rehabilitation of Historic Structures, PPC – Procurement Processing Company Rebate Program, R&M – Retention & Modernization Credit, R&D – Research & Development Tax Credit, TE – Industrial Tax Equalization Program, and AITC – Angel Investor Tax Credit

The following are the highlights of the fiscal and economic impacts of the tax incentive programs that cost the state of Louisiana more than $1 million in FY 2023:

- Digital Interactive Media & Software Tax Credit
    - Total incentives: $16.91 million
    - Annual estimated gross domestic product/value-added, from total incentives: $30.46 million
    - Annual net economic impact: +$13.55 million
    - Annual estimated state revenue from total incentives: $1.88 million
    - Annual estimated tax revenue loss: $15.02 million
    - Economic multiplier: 1.67
    - Mainly affected Professional, Scientific, and Technical Services (NAICS 54) and Information Services (NAICS 51)
- Quality Jobs Program
    - Total incentives: $150.06 million
    - Annual estimated gross domestic product/value-added, from total incentives: $251.59 million
    - Annual net economic impact: +$101.53 million
    - Annual estimated state revenue from total incentives: $16.08 million
    - Annual estimated tax revenue loss: $134.04 million
    - Economic multiplier: 1.94
    - Mainly affected Wood Product Manufacturing (NAICS 321), Management of Companies and Enterprises (NAICS 55), and Chemical Manufacturing (NAICS 325)

- Motion Picture Investor Tax Credit
  - Total incentives: $134.48 million
  - Annual estimated gross domestic product/value-added, from total incentives: $215.22 million
  - Annual net economic impact: +$80.74 million
  - Annual estimated state revenue from total incentives: $14.00 million
  - Annual estimated tax revenue loss: $120.47 million
  - Economic multiplier: 1.73
  - Mainly affected Motion Picture and Sound Recording Industries (NAICS 512)
- Enterprise Zone Program
  - Total incentives: $23.07 million
  - Annual estimated gross domestic product/value-added, from total incentives: $28.55 million
  - Annual net economic impact: +$5.48 million
  - Annual estimated state revenue from total incentives: $1.98 million
  - Annual estimated tax revenue loss: $21.08 million
  - Economic multiplier: 1.74
  - Mainly affected Real Estate (NAICS 531), Hospitals; Private (NAICS 622), and Construction (NAICS 23)
- Rehabilitation of Historic Structures Credit
  - Total incentives: $86.25 million
  - Annual estimated gross domestic product/value-added, from total incentives: $98.00 million
  - Annual net economic impact: +$11.74 million
  - Annual estimated state revenue from total incentives: $7.63 million
  - Annual estimated tax revenue loss: $78.62
  - Economic multiplier: 1.70
  - Mainly affected Retail Trade (NAICS 44-45), Management of Companies and Enterprises (NAICS 55), and Rental and Leasing (NAICS 533)
- Procurement Procession Company Rebate Program
  - Total incentives: $73.10 million
  - Annual estimated gross domestic product/value-added, from total incentives: $81.86 million
  - Annual net economic impact: +$8.76 million
  - Annual estimated state revenue from total incentives: $5.96 million
  - Annual estimated tax revenue loss: $67.13 million
  - The Economic multiplier: 1.88
  - Mainly affected Professional, Scientific, & Technical Services (NAICS 561)

- Retention & Modernization Credit
  - Total incentives: $2.30 million
  - Annual estimated gross domestic product/value-added, from total incentives: $2.40 million
  - Annual net economic impact: +$107.28 thousand
  - Annual estimated state revenue from total incentives: $129.40 thousand
  - Annual estimated tax revenue loss: $2.17 million
  - Economic multiplier: 2.18
  - Mainly affected Paper Manufacturing (NAICS 322) and Chemical Manufacturing (NAICS 325)
- Research & Development Tax Credit
  - Total incentives: $11.48 million
  - Annual estimated gross domestic product/value-added, from total incentives: $10.45 million
  - Annual net economic impact: -$1.03 million
  - Annual estimated state revenue from total incentives: $841.44 thousand
  - Annual estimated tax revenue loss: $10.64 million
  - Economic multiplier: 1.74
  - Mainly affected Chemical Manufacturing (NAICS 325) and Paper Manufacturing (NAICS 322)
- Industrial Tax Equalization Program
  - Total incentives: $2.20 million
  - Annual estimated gross domestic product/value-added, from total incentives: $1.84 million
  - Annual net economic impact: -$364.28 thousand
  - Annual estimated state revenue from total incentives: $105.88 thousand
  - Annual estimated tax revenue loss: $2.09 million
  - Economic multiplier: 1.73
  - Mainly affected Wholesale Trade (NAICS 42) and Monetary Authorities (NAICS 522)
- Angel Investor Tax Credit
  - Total incentives: $1.78 million
  - Annual estimated gross domestic product/value-added, from total incentives: $1.44 million
  - Annual net economic impact: -$333.36 thousand
  - Annual estimated state revenue from total incentives: $129.88 thousand
  - Annual estimated tax revenue loss: $1.65 million
  - Economic multiplier: 1.66
  - Above 97% of the incentive is in the form of individual income tax credit.

Return on Investment of Selected Tax Incentive Programs: FY 2023

This section summarizes the cost of incentives, the major industries impacted, and the economic and fiscal effect of the business incentive programs that cost more than $1 million to Louisiana.

First, based on the Tax-PI simulations using available data, it summarizes the forecasts until 2032 and reports the average annual expected dollar amounts of gross domestic product (GDP)/value-added, net economic impact, state tax revenue, and tax revenue gain/loss for the state of Louisiana as a result of the business incentives programs under consideration.

Second, it presents the calculated economic return on investment (Economic ROI) and fiscal return on investment (Fiscal ROI) to those programs based on the forecasts obtained from the REMI Tax-PI software. During the analysis, each incentive program is treated as a shock to the Louisiana economy, and the resulting changes in the economy due to the economic shock are compared with the control scenario which assumes the absence of economic shocks in the form of business tax incentives. The expected fiscal and economic effects of the tax incentive programs are thus obtained from the differences in the controlled scenario and the so-called shock/presence of tax incentives scenario.

It is worth noting that this study is a "but for" analysis where the interpretation of the results clarifies the potential fiscal and economic gain/loss in the Louisiana economy exclusively resulting from the specific tax incentives program. In addition to that, this study also employs an assumption of a balanced budget for government spending where a reduction in state revenues leads to a proportional decline in state expenditures. We report the analysis of the most recent data of the ten tax incentive programs for which the revenue loss was one million dollars or more in FY 2023.

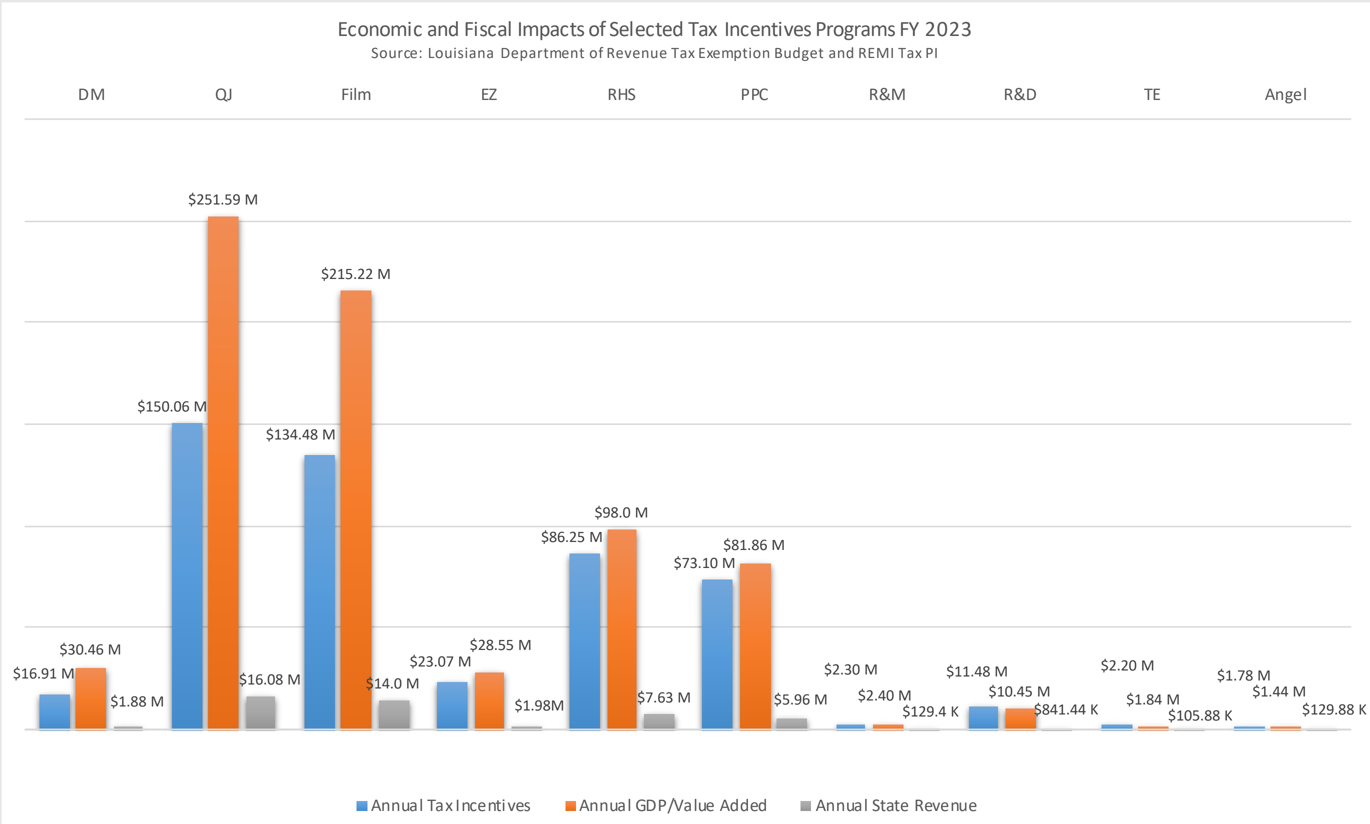
The total cost of the selected ten incentive programs is $501.66 million for FY 2023. The cost of tax incentives ranges from $1.78 million for Angel Investor Tax Credit to $150.06 million for Louisiana Quality Jobs program. The state recoups only $48.69 million in tax revenues which results in an annual average revenue loss of $452.97 million.

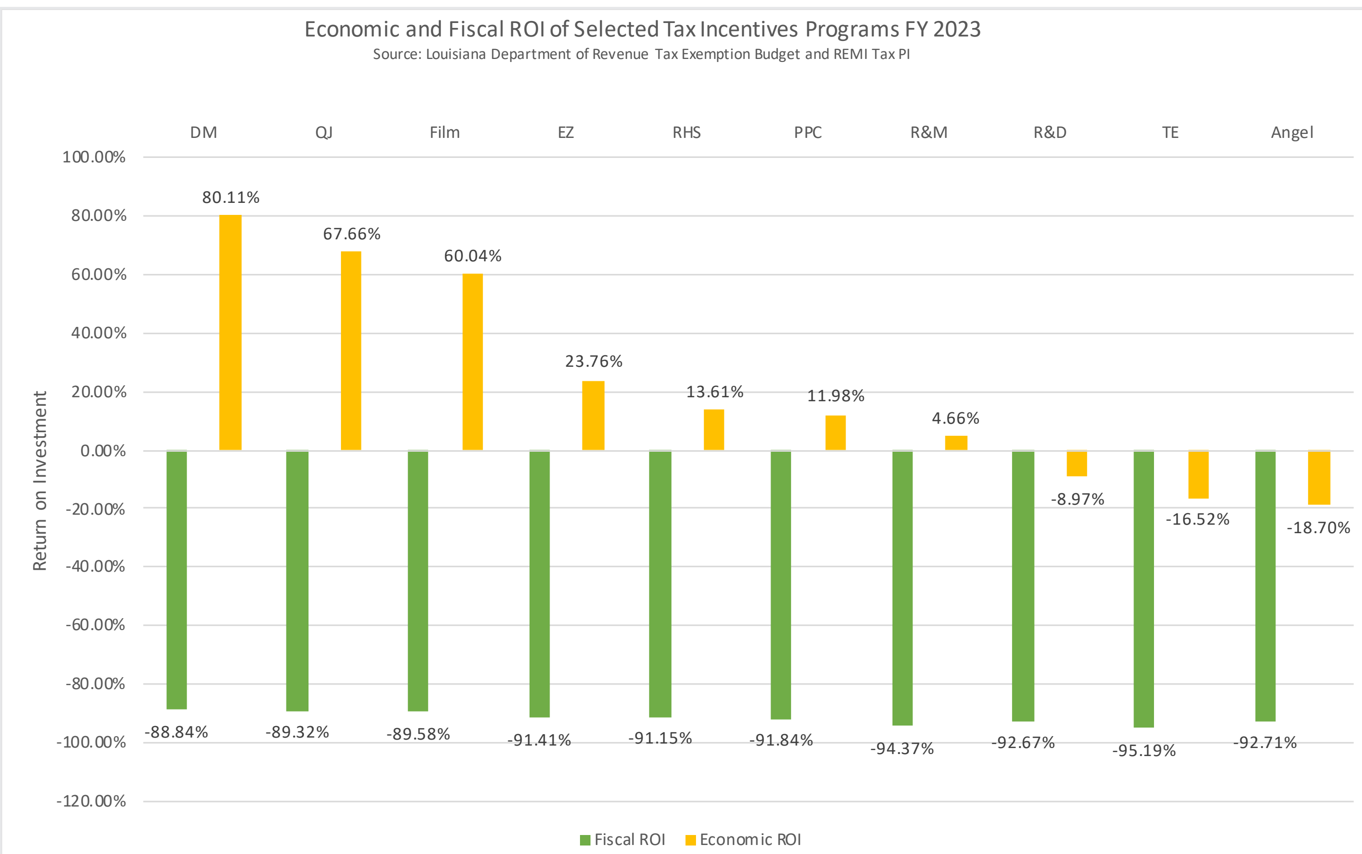
The state does not recover the tax incentives issued to individuals and businesses over the next ten years, but the selected incentives have a positive impact on the GDP, meaning more economic activities with decreased consumption, capital investment, or job growth. The annual growth in GDP/value-added attributed to the incentive programs is expected to be $721.85 million with a net economic impact of $220.19 million.

The results show that almost all of these tax incentives have a positive economic effect on the state economy except for Research & Development Tax Credit, Industrial Tax Equalization Program, and Angel Investor Tax Credit. The average annual net economic impact of the tax credits/rebates issued to individuals and businesses ranges from -$333.36 for Angel Investor Tax Credit (AITC) to $101.53 million for Quality Jobs (QJ). Here, the net economic effect implies the value-added/gain in GDP in Louisiana's economy after accounting for the cost of incentives. The value added by each program, on the other hand, is the gross output of an industry/sector less its intermediate inputs, thus one can understand it as the contribution of an industry or sector to the gross domestic product (GDP). The contribution of these programs to the Louisiana GDP ranges from $1.48 million for Angel Investor Tax Credit (AITC) to $251.59 million for Quality Jobs (QJ). These results also show that programs with the lowest and the highest average annual value-added also exert the lowest and the highest net economic impact respectively. Furthermore, two of the costly programs, Quality Jobs (QJ) and Motion Picture Investor Tax Credit (Film), also have the larger share of the effect on GDP growth. The economic return on investment, however, is highest for Digital Interactive Media & Software Tax Credit because of large growth in GDP even from their modest investment.

Contrary to the economic impact of tax credits/rebates issued under most of the programs, the fiscal impact for all the programs is negative. In other words, the estimated state tax revenue for all the programs is less than the amount issued to individuals and businesses through tax exemptions. The average annual revenue loss ranges from $1.65 million for Angel Investor Tax Credit (AITC) to $134.04 million for Quality Jobs (QJ). Among the programs analyzed, the state spends the highest amount on QJ and subsequently generates more annual revenue than other programs. QJ is estimated to generate $2.01 million more than Film in annual tax revenue while QJ received $15.57 million more than Film in 2023. Although QJ and Films account for 29.91% and 26.81% of the total costs among the ten programs respectively, Digital Interactive Media & Software Credit has the highest fiscal return on investment (-88.84%) for FY 2023. QJ and Film rank second and third with fiscal return on investment of -89.32% and -89.58% respectively.

This section discusses the fiscal and economic impact of selected business tax incentive programs in Louisiana for FY 2023.





Digital Interactive Media and Software Tax Credit Program

The Digital Interactive Media and Software (DM) Tax Credit Program encourages the development of a strong capital base to achieve a more independent and self-sufficient digital interactive media industry in Louisiana. A refundable tax credit can be used against individual income and corporate income tax. Upon final certification, the company may elect a one-time rebate of the credit at 85% of the face value of the credits.

In FY 2023, the businesses received $16.91 million in tax incentives under the Digital Interactive Media & Software Tax Credit. The estimated annual value-added created by the incentive program is $30.46 million with a net economic impact of $13.55 million. The estimated annual state tax revenue from the incentive is $1.88 million, whereas the expected annual revenue loss is $15.02 million.

The industries that receive the largest amount of credits are Professional, Scientific, and Technical Services (NAICS 54) that received 67.71% of the total amount disbursed. Industries working in Information Services (NAICS 51) received 16.62% of the incentives under this program in FY 2023. Businesses that were involved in Computer and Electronic Product Manufacturing (NAICS 334), on the other hand, received 6.05% of the credit. The total amount received by businesses has decreased by $3.9 million, but the type and share of industries that receive DM credits in FY 2023 are similar to FY 2022. The fiscal return on investment for this tax incentive program is -88.84%, and economic return on investment is 80.11% which is higher than the fiscal ROI of -92.92% and economic ROI of 38.13% for FY 2022.

The Louisiana Quality Jobs Program

The Louisiana Quality Jobs (QJ) Program is an incentive program intended to encourage business location and expansion in Louisiana to increase quality jobs. It provides a 4% to 6% payroll rebate for all new jobs and a capital investment benefit of either a state sales and use tax rebate or a 1.5% project facility expense rebate.

Businesses received $150.06 million of tax incentives from the Quality Jobs program in FY 2023 which is around $3 million less than that of FY 2022. The estimated gross domestic product in Louisiana because of QJ is $251.59 million with an average annual economic impact of $101.53 million. The average annual estimated state revenue from the incentives is $16.08 million with an estimated revenue loss of $134.0435 million.

The industries mainly affected by this program are Wood Product Manufacturing (NAICS 321), Management of Companies and Enterprises (NAICS 55), and Chemical Manufacturing (NAICS 325) with 54.87%, 14.71%, and 12.13% of total incentives respectively. In FY 2022, Chemical Manufacturing (NAICS 325) and Utilities (NAICS 22) were the primarily affected industries by Quality Jobs with 44.39% and 29.80% of the total incentives received respectively. Although the industries that received incentives from the QJ program significantly changed, the majority of industries fall within the Manufacturing sector (NAICS 31-33).

Based on the incentives data from FY 2023, the fiscal return on investment of the Quality Jobs program is -89.32%, whereas the economic return on investment is 67.66%.

Motion Picture Investor Tax Credit

The Motion Picture Investor (Film) Tax Credit aims to achieve an independent and self-supporting motion picture production industry with a strong capital base where a non-refundable income tax credit may be bought back by the state of Louisiana for ninety cents on the dollar. Businesses received $134.48 million in FY 2023 of tax incentives under the Motion Picture Investor Tax Credit Program which is $21.62 million less than FY 2022. This investment is expected to result in $215.22 million in the increased annual gross domestic product of Louisiana with an average annual net economic impact of $80.74 million. Meanwhile, the state expects the tax revenue per year due to this program to be $14.00 million with $120.47 million of average annual loss of tax revenue. This incentive program's primary beneficiary is Motion Picture and Sound Recording Industry (NAICS 512) with almost 78% of the incentives which is 2% less than that in FY 2022. The fiscal return on investment for Motion Picture Tax Credit Program is -89.58%, whereas the economic return on investment is 60.04%. Both the fiscal and economic ROI appears to be better than FY 2022 when they were -93.59% and 24.12% respectively.

Enterprise Zones

Enterprise Zones (EZ) are areas with high unemployment, low income, or a high percentage of residents receiving public assistance. EZ programs provide a one-time nonrefundable tax credit for each net new job created that can be used against income and corporation franchise tax with a ten-year carryforward period and a capital investment benefit of either a state sales and use tax rebate or a 1.5% refundable investment tax credit. Enterprise Zones provided $23.07 million in tax incentives to businesses in FY 2023 which is almost $21 million less than that of FY 2022. The effect of this incentive on the annual gross domestic product is $28.55 million which means the net economic impact of the Enterprise Zone is $5.48 million. Enterprise Zones generate $1.98 million in annual tax revenue resulting in a revenue loss of $21.08 million.

The largest sectors receiving incentives under Enterprise Zones in FY 2023 are Real Estate (NAICS 531), Hospital; Private (NAICS 6220), and Construction (NAICS 23) with 37.80%, 23.50%, and 6.95% of incentives rewarded towards them respectively. The fiscal return on investment of Enterprise Zones is -91.41%, and the economic return on investment is 23.76%.

Rehabilitation of Historic Structures

Businesses which qualify under the Rehabilitation of Historic Structures Tax Credit Program (RHS) receive a non-refundable credit for the eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development or cultural district. RHS disbursed a total of $86.25 million in FY 2023. The average annual value added from the incentives is $98.00 million with an average annual net economic impact of $11.74 million. The average annual estimated state revenue from this incentive program is $7.63 million with an estimated revenue loss of $78.62 million.

The industries most impacted by this incentive are Retail Trade (NAICS 44-45) with 25.69%, Management of Companies and Enterprises (NAICS 55) with 18.79%, and Rental and Leasing (NAICS 533) with 15.93% of the amount received under the program.

The fiscal return on investment for the Rehabilitation of Historic structures for FY 2023 is -91.15%, whereas the economic return on investment is 13.61%.

Procurement Processing Company Rebate Program

The Procurement Processing Company (PPC) Rebate Program is a tax incentive program that grants sales and uses tax rebates to PPCs under the provisions of a contract with LDR.

Businesses received $73.10 million of tax incentives under the Procurement Processing Company Rebate Program in FY 2023. This investment is expected to result in $81.86 million in the increased annual gross domestic product of Louisiana with an average annual net economic impact of $8.76 million. Meanwhile, the state expects the tax revenue per year due to this program to be $5.96 million with $67.13 million of average annual loss of tax revenue.

This incentive program primarily affected Professional, Scientific, & Technical Services (NAICS 561).

The fiscal return on investment for this program is -91.84%, whereas the economic return on investment is 11.98%.

Retention and Modernization Credit

The Retention and Modernization Tax Credit aims to attract businesses to remain in Louisiana and modernize their existing operations within the state. It is granted at a rate of up to 5% of the qualified expenditures incurred for modernization. The credit is divided into equal portions for five years and can be claimed against individual income tax, corporate income tax, or corporate franchise taxes. For FY 2023, the total cost of tax incentives for the Industrial Tax Equalization Program was $2.30 million, whereas it was $4.10 million in FY 2022. The estimated annual value-added created by the incentive program is $2.40 million with a net economic impact of $107.28 thousand. The estimated annual state tax revenue from the incentive is $129.40 thousand, whereas the expected annual revenue loss is $2.17 million.

The industries that receive the largest amount of credits are Paper Manufacturing (NAICS 322) with 62.55% and Chemical Manufacturing (NAICS 325) with 33.01% of the credits awarded.

The fiscal return on investment for this tax incentive program is -94.37%, and the economic return on investment is 4.66%.

Research and Development Tax Credit

The Research and Development (R & D) tax credit is a tax incentive program administered by LED to encourage new and continuing efforts to conduct research and development activities within the state of Louisiana. It provides up to a 30% tax credit on qualified expenditures on research incurred in the state. The annual tax incentive received by businesses under Research & Development Tax Credit was $11.48 million in 2023. The expected annual value added from the incentives is $10.45 million with an average annual net economic impact of -$1.03 million. The average annual estimated state revenue from this incentive program is $841.44 thousand with an estimated revenue loss of $10.64 million.

The industries most impacted by this incentive are Chemical Manufacturing (NAICS 325) with 33.29% and Paper Manufacturing (NAICS 322) with 31.06% of the incentives received by the respective sectors.

The fiscal return on investment of this incentive program for FY 2022 is -92.67% whereas the economic return on investment is -8.97%. This program had a positive economic impact in FY 2022 but the impact is negative for FY 2023 This program contributes to a decline in the state GDP, albeit the effect is small.

Industrial Tax Equalization Program

Industrial Tax Equalization (TE) Program is a business tax incentive program administered by LED intended to encourage the establishment and retention of manufacturing, warehousing, and distributional establishments or headquarters. It provides a procedure whereby the state and local taxes imposed on the businesses are lowered to the levels imposed by other competing states. For FY 2023, the total amount of tax incentive businesses received under the Industrial Tax Equalization Program was $2.20 million. The estimated annual value-added created by the incentive program is $1.84 million with a net economic impact of $90.6 thousand. The estimated annual state tax revenue from the incentive is -$364.28 thousand, whereas the expected annual revenue loss is $2.09 million as the state receives only $105.88 thousand in tax revenue attributed to this program.

The industries that receive the largest amount of credits are Wholesale Trade (NAICS 42) and Monetary Authorities (NAICS 522) with 65.54% and 27.03% of the incentives respectively.

The fiscal return on investment for this tax incentive program is -95.19% and the economic return on investment is -16.52%.

Angel Investor Tax Credit

Angel Investor Tax Credit (AITC) incentivizes accredited investors to invest in early-stage, small wealth-creating Louisiana businesses that seek startup and expansion capital. In FY 2023, the cost of this program was $1.78 million as individual income tax credit which is expected to grow the Louisiana GDP by $1.44 million per year with an economic impact of $333.36 thousand in net losses. The estimated annual state tax revenue from this program is $129.88 thousand with an annual revenue loss of $1.65 million.

The fiscal return on investment and economic return on investment are both negative with fiscal ROI of -92.71% and economic ROI of -18.70%.

Economic Multipliers of Tax Incentives

This section reports the economic multipliers of selected tax incentive programs for FY 2023. These multipliers reflect the total economic impact that can be expected from the change in given economic activity of the incentivized firms. It reports economic multipliers of all the tax incentive programs under analysis except for the Angel Investor Tax Credit Program. All the available data on credits for this program are for individual income tax where only a fraction of the amount might have been invested back into the Louisiana economy. Based on the available information, it is difficult to know which sectors receive investments from Angel investors, which further limits our ability to estimate the economic multipliers.

For FY 2023, the highest multiplier is for Retention & Modernization Credit (R&M) with 2.18. This means that each dollar of economic activity generated by firms affected by R&M results in $1.18 of additional indirect and induced economic activity. The lowest economic multiplier is for the Digital Interactive Media Tax & Software Tax Credit Program with 1.67 suggesting that only $0.67 of economic activity from ripple effects can be expected from $1 of economic activity of the affected firms.

Higher economic multipliers mean that the incentivized firm purchased more from local suppliers. This further results in more economic activity and employment, not just for firms receiving tax incentives but also along the supply chain.

Economic Multipliers of Tax Incentives

Incentive	Multiplier
R&M	2.18
QJ	1.94
PPC	1.88
EZ	1.74
R&D	1.74
Film	1.73
TE	1.73
RHS	1.70
DM	1.67

Results of 2023
Business Survey on Louisiana Quality Jobs Program

1. Survey Response Rate

Louisiana Department of Revenue sent survey questionnaires to 132 businesses receiving Louisiana's Quality Job (QJ) Program incentives, but only 59 businesses responded to the survey. Therefore, the survey response rate is 44.69%. It was calculated using the equation below.

$$\text{Survey Response Rate} = \frac{\text{\# of responses received}}{\text{\# of total businesses surveyed}} \times 100\ \%$$

2. Industry Structure of the Respondents

The largest share of the respondents is involved in Professional, Scientific, and Technical services (NAICS 54) with 16.95% of the responses. However, if all the manufacturing industries are combined, the manufacturing sector represents 64.41% of the total respondents representing 14 different manufacturing industries.

Industry Structure of the Respondents

NAICS	Industry	Respondents	
		Number	Percentage
54	Professional, scientific, and technical services	10	16.95%
332	Fabricated metal product manufacturing	6	10.17%
321	Wood product manufacturing	5	8.47%
325	Chemical manufacturing	5	8.47%
311	Food manufacturing	4	6.78%
331	Primary metal product manufacturing	3	5.08%
488	Support activities for transportation	3	5.08%
312	Beverage and tobacco product manufacturing	2	3.39%
324	Petroleum and coal product manufacturing	2	3.39%
326	Plastics and rubber products manufacturing	2	3.39%
333	Machinery manufacturing	2	3.39%
335	Electrical equipment, appliance, and component manufacturing	2	3.39%
3364-3369	Other transportation equipment manufacturing	2	3.39%
213	Support activities for mining	1	1.69%
23	Construction	1	1.69%
322	Paper manufacturing	1	1.69%
323	Printing and related support activities	1	1.69%
327	Nonmetallic mineral product manufacturing	1	1.69%
42	Wholesale trade	1	1.69%
492	Couriers and messengers	1	1.69%
493	Warehousing and storage	1	1.69%
532	Rental and leasing services	1	1.69%
561	Administrative and support services	1	1.69%
813	Religious, grant making, civic, professional, and other services	1	1.69%

3. *Business Operation in Louisiana*

Based on the survey responses, half of the businesses receiving Quality Jobs rebates have been operating in Louisiana for more than 20 years.

Business Operation in Louisiana	
Beginning of Business Operation in Louisiana	**% of respondents**
Within the past 12 months	1.72%
1 to 2 years	5.17%
3 to 5 years	5.17%
6 to 10 years	25.86%
11 to 19 years	12.07%
More than 20 years	50.00%

4. *Headquarters*

59.32% of the businesses who responded to the survey have their headquarters in the state of Louisiana, whereas 37.29% of the businesses have their headquarters in other US states. 1.69% of respondents report that they have dual headquarters both inside and outside the state of Louisiana. Another 1.69% of the respondents report that their headquarters are located in a foreign nation.

5. *Length of QJ Contract*

As of 8/2/2023, the average length of the respondent's QJ program contract is 6.37 years. The effective date of the contract ranges from less than a year ago to more than 14 years ago.

6. *Number of Employees in Louisiana*

In Louisiana, the average number of full-time employees in businesses receiving QJ rebates is 415.3. The minimum and the maximum number of full-time employees in those businesses range from 7 employees to 3,782 employees respectively. On the other hand, the average number of part-time employees in businesses receiving QJ rebates is 6.67. The minimum and the maximum number of part-time employees in those businesses range from 0 to 205 employees respectively.

Furthermore, 81.36% of the respondents report that the number of employees in their business in Louisiana has increased during the last five years. 10.17% of the businesses report that the number of employees has decreased, and another 8.47% respond that the number has remained the same during the last five years.

7. *Louisiana Workforce Expansion Plan Within the Next 12 Months*

62.07% of the businesses plan to expand the size of their workforce in Louisiana within the next 12 months, whereas a mere 1.72% of them plan to reduce the size of the Louisiana workforce. Furthermore, 18.97% of the respondents want to keep the size of their workforce the same, whereas 17.24% are still undecided.

LA Workforce Expansion Plan Within the Next 12 Months	
Plan to Expand Louisiana Workforce	**% of Respondents**
Expand	62.07%
Reduce	1.72%
Keep the same	18.97%
Undecided	17.24%

8. *Business Operation Location*

1.75% of the businesses receiving tax incentives from the Louisiana QJ program report that they operate statewide in Louisiana whereas 33.33% of the businesses operate their business nationally. 1.75% of them have operations that are regional in Louisiana whereas 29.82% of the businesses operate regionally in multiple states and another 15.79% of them operate internationally. In addition to that, 17.54% of the businesses have their operations that are either local or limited to a specific city or parish.

Business Operation Location	
Operations of Businesses	**% of respondents**
Local/Limited to a specific city or parish	17.54%
Regional in Louisiana	1.75%
Statewide in Louisiana	1.75%
Regional in multiple states	29.82%
National	33.33%
International	15.79%

9. *Customers*

The survey respondents report that the 44.83% of the QJ rebate recipients have their customers nationwide, while 34.48% report that they have international customers. For another 17.24% of the businesses, their customers are located regionally in multiple states. It is worth noting that, although the majority of business operations of companies receiving Louisiana QJ rebate are within the state of Louisiana, their customers are spread across the globe. None of the businesses report that their customers are local/limited to a specific city or parish or are yet to have customers.

Customers	
Customers of Businesses	**% of Respondents**
Local/Limited to a specific city or parish	0.00%
Regional in Louisiana	30.51%
Neutral	1.72%
Regional in multiple states	17.24%
National	44.83%
International	34.48%
Do not yet have customers	0.00%

10. *QJ Program Eligibility Criteria*

Almost 65% of the respondents respond that manufacturing as their businesses' primary function as at least one of the many eligibility criteria for Quality Jobs Program. Approximately 14% of the businesses have, or will have within one year, sales of at least 50% of their total sales to out-of-state customers or buyers if the products or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use or to the federal government. Another important eligibility criteria of being software, internet and telecommunication technology business is fulfilled by 8.62% of the businesses.

11. Beneficial Ratings of QJ Program

64.41% of the respondents report the Quality Jobs Program incentives to be very beneficial for their businesses, whereas 30.51% consider them to be beneficial. 3.39% of the businesses are neutral about it, whereas 1.69% of them have a very negative view about it.

Beneficial Ratings of QJ Program	
Beneficial Ratings	**% of Respondents**
Very Beneficial	64.41%
Beneficial	1.72%
Statewide in Louisiana	3.39%
Negative	0.00%
Very Negative	1.69%

12. Impact on Project in Louisiana if the QJ Program Had Not Been Available

Survey respondents have different responses for the question on the impact on their project in Louisiana if the Quality Jobs program had not been available to their businesses. 31.03% of them would have proceeded as planned, whereas 3.45% of them would have proceeded at a later date on the same scale. In addition to that, 25.86% of the businesses would have proceeded at a later date with a reduced scale, but 13.79% of the businesses would have continued with their project at an out-of-state location. Only 3.45% of the respondents would have cancelled their project if the QJ program were unavailable to them.

22.41% of the businesses specified other scenarios apart from the ones mentioned above. Some businesses note that the combination of all the incentives granted to them was the key factor in their decision to establish business in Louisiana. Few businesses report that they are unsure of what they would have done if the QJ program were not available to them. Some of them stated that they were located in Louisiana for a short term and were already considering locating/expanding in other states. Others note that the Louisiana tax incentive programs have helped them enough that they would consider expanding them in Louisiana irrespective of the availability of the QJ program.

Impact on Project in Louisiana if the QJ Program Had Not Been Available	
Impact	**% of Respondents**
Proceed as planned	31.03%
Proceed at a later date on the same scale	3.45%
Proceed at a later date with a reduced scale	25.86%
Proceed at an out-of-state location	13.79%
Cancel the project	3.45%
Other	22.41%

13. Importance of Quality Jobs Program

Businesses were asked to respond on the level of importance of the Quality Jobs Program in allowing their businesses to create new jobs, expand their current facilities, remain in business in Louisiana, increase economic value of their business, and increase profitability.

61.40% of the businesses report that the QJ program is very important to create new jobs. 29.82% of the businesses respond that the program is somewhat important, 5.26% not very important, and 3.51% find it not important at all to create new jobs.

Similarly, 56.14% respondents note that the QJ program is very important to expand their current facilities in Louisiana, whereas 21.05% of businesses consider it to be somewhat important. 12.28% of the survey respondents find it to be not very important, whereas 5.26% of them report it to be not important at all. Another 5.26% of them find the QJ program to be not applicable in their decision to expand their businesses.

To remain in business in Louisiana, 56.14% of companies consider the QJ program to be very important, and 22.81% of them find it somewhat important. On the other hand, 10.53% and 8.77% of them report the program as not very important and not important at all respectively. For 1.75% of the respondents, the incentives from the QJ program are not applicable to remain in business in Louisiana.

63.16% of the companies mention that the QJ program is very important for them to increase the economic value of their businesses, whereas 29.82% find it only somewhat important. For 3.51% of the respondents, the QJ program is not very important, and for another 3.51%, it is not important at all in incentivizing to increase their business's economic value.

The QJ program has been very important to 64.29% and somewhat important to 26.79% of the businesses in Louisiana to increase profitability. Businesses that find this program to be not very important and not important at all to increase their profitability are 3.57% each. Only 1.79% respondents report the incentive program as not applicable for them to increase profitability.

Importance of Quality Jobs Program

	% of Respondents				
Importance of QJ to	**Not Important at All**	**Not Very Important**	**Somewhat Important**	**Very Important**	**Not Applicable**
Create new jobs	3.51%	5.26%	29.82%	61.40%	0.00%
Expand current facilities	5.26%	12.28%	21.05%	56.14%	5.26%
Remain in business in Louisiana	8.77%	10.53%	22.81%	56.14%	1.75%
Increase economic value	3.51%	3.51%	29.82%	63.16%	0.00%
Increase profitability	3.57%	3.57%	26.79%	64.29%	1.79%

14. Plan Prior to Receiving QJ Program Benefits

Businesses were asked to respond whether they were considering locating or expanding to another state/country prior to receiving the Quality Jobs Program benefits. 47.46% of the responses are 'Yes' meaning that they were considered to locating or expanding elsewhere prior to receiving the QJ incentives. 25.42% of the responses are 'No' meaning that they did not consider locating or expanding to another state/country. However, 27.12% of the respondents were not sure about it.

Plan Prior to Receiving QJ Program Benefits

Considered Another State/Country	% of Respondents
Yes	47.46%
No	25.42%
Not Sure	27.12%

15. Comparison with Offers from Other States

Businesses were asked to respond how the benefits from the QJ Program compare to the offers they received from other states. 28.81% of businesses find that the Louisiana QJ benefits are more attractive than other states. 32.20% of them find it to be similar to other states, whereas only 6.78% of businesses find the incentives from the QJ program less attractive than the offers they received from the other states. For 32.20% of businesses, this was not applicable.

Comparison with Offers from Other States	
Louisiana QJ Benefits Are as Follows:	**% of Respondents**
More attractive than other states	28.81%
Similar to other states	32.20%
Less attractive than other states	6.78%
Not applicable	32.20%

16. Location vs. Incentives

The survey asked businesses whether location or incentives were more important to their businesses. 42.54% of the businesses say that incentives are more important, whereas 45.76% of them say that location is more important than incentives. 1.69% of them could not tell which one was more important because they inherited the QJ program contract when they acquired their businesses.

The following table reports the statistical summary (Average Values) of business characteristics grouped by businesses that gave importance to either incentive or location for expansion/relocation decision.

Location vs. Incentives		
	Average Values	
Business Characteristics	**Incentive**	**Location**
Length of Quality Jobs Program Contract	6.31 Years	6.16 Years
Share of Businesses with Headquarter in Louisiana	54.83%	66.66%
Share of Manufacturing Industries	64.52%	62.96%
Estimated Total Investment	$56.63M	$99.58M
Estimated Total Payroll	$76.42M	$74.78M
Estimated Construction Payroll	$4.07M	$13.64M
Estimated 10 Year New Payroll	$54.48M	$28.46M
Estimated 10 Year Payroll Rebate	$3.26M	$1.70M
Estimated 10 Year Sales/Use or Project Facility Expense Rebate	$372.25K	$1.43M
Estimated Building Material	$12.75M	$6.09M
Estimated Machinery and Equipment	$26.36M	$48.23M
Estimated Labor and Engineering	$17.51M	$45.26M
Reported Total Number of Jobs (both full and part time)	483.8	362.11
Estimated 10 Year New Jobs	106.81	69.7
Estimated Construction Jobs	58.71	85.74

17. Whether QJ Is a Main Factor for the Expansion/Relocation

56.14 % of the respondents consider that the QJ program is a main factor for the expansion of their business in Louisiana or relocation to Louisiana, whereas 42.11% do not consider it to be a main factor. Furthermore, 1.75% of the respondents are not sure.

18. Location Decision if QJ Were Not Available

66.10% of the businesses report that they would have located in Louisiana even if the QJ program were not available to their businesses, whereas only 25.42% of them mention that they would not have located in Louisiana if not for the QJ program. 8.48% of the respondents, however, are not sure of what they would have done.

19. Participation in Other Louisiana Tax Incentive Programs

Other than the Quality Jobs Program, 72.41% of the businesses have participated and 27.59% of them have not participated in other Louisiana business incentive programs over the previous two years.

Out of those businesses that have participated in other incentive programs in Louisiana, at least 76% of them have also participated in Industrial Tax Equalization Program (TE), and 11.63% of them have also participated in Research and Development Tax Credit. Similarly, 9.33% of those businesses have also participated in Restoration and Modernization Tax Credit.

Out of those businesses that have not participated in other Louisiana tax incentive programs, 86.67% of them never applied/awarded, whereas 6.67% were not qualified, and another 6.67% of them were not aware about other programs they could qualify for.

20. Projects Utilizing Other Louisiana Tax Incentive Programs

Businesses that utilized other Louisiana tax incentive programs participated in those programs for a variety of reasons. 25.53% of those businesses utilized other programs for locating/open new businesses, 17.02% utilized them for expansion of existing facilities, 12.77% for retention of existing facility, 2.13% for location/opening of addition facility, 4.26% for product development, and 2.12% for training purposes. In addition to that, 12.77% of businesses utilized other programs for both location/opening of new business and expansion of existing facility. Furthermore, 23.40% of businesses participated in other Louisiana tax incentive programs for both expansion and retention of existing facilities.

Projects Utilizing Other Louisiana Tax Incentive Programs

Types of Projects	% of Respondents
Location/Opening of new business (a)	25.53%
Expansion of existing facility (b)	17.02%
Retention of existing facility (c)	12.77%
Location/Opening of an additional facility	2.13%
Product development	4.26%
Training	2.13%
Both (a) and (b)	12.77%
Both (b) and (c)	23.40%

21. Importance of Other Louisiana Tax Incentive Programs

Businesses who participated in other Louisiana tax incentive programs were asked to respond to the importance of those programs on a scale of 1-10 but the responses were received were on the scale of 0-10. We have summarized the responses, including the zero scale.

The table below shows the percentage that responded and the importance of other tax incentive programs they reported on a scale of 0 to 10.

Furthermore, the average rating of the importance of other Louisiana tax incentive programs is 8.58 with a standard deviation of 2.14.

Importance of Other Louisiana Tax Incentive Programs	
Importance	**% of Respondents**
10	47.92%
9	12.50%
8	25.00%
7	6.25%
6	0.00%
5	4.17%
4	0.00%
3	0.00%
2	0.00%
1	2.08%
0	2.08%

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