



KATHLEEN BABINEAUX BLANCO
GOVERNOR

State of Louisiana

OFFICE OF THE GOVERNOR

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December 1, 2006

Dear Louisiana Congressional Delegation:

As you know, Louisiana is now well entrenched in what we believe to be the largest recovery, redevelopment and planning effort in American history. Nearly 15 months ago, more than 200,000 of our citizens' homes and 18,000 of our businesses were destroyed by Hurricanes Katrina and Rita. Thanks to your steadfast support, we are making great strides in rebuilding our homes and reviving our economy, but many challenges lie ahead.

Of particular importance is extending the Gulf Opportunity (GO) Zone Act provisions that have thus far brought confidence for economic reinvestment for the state of Louisiana. Currently, the GO Zone Extender addresses one very important issue - Bonus Depreciation. We deeply appreciate the efforts made to include this item in the bill. While this is an important provision, we respectfully urge you to consider additional extensions that will matter deeply to the recovery effort for thousands of Louisianans, affecting housing reconstruction, rejuvenation of small businesses and entrepreneurs, and economic reinvestment. In sum, these extensions will collectively greatly enhance the pace and quality of post Katrina recovery.

For South Louisiana to fully recover, it is critical that the entire GO Zone Act is extended until December 31, 2010. The important GO Zone Bond provisions already have a placed in service date for December 31, 2010, and it is intended that other sunset deadlines be made to conform to that end date. Without these changes, we fear this legislation will not achieve its very laudable goals of spurring housing redevelopment and private sector recovery and reinvestment in hurricane devastated areas.

Because we recognize the short window of time that is available, we would identify these additional two items as the highest priorities to be addressed immediately so that investment isn't hampered:

Extend until December 31, 2010 the deadline for placing Low Income Housing Tax Credit developments in service, as well as the deadline for benefits to these housing developments available through the GO Zone Bonus Depreciation and GO Zone LIHTC "Basis Boost."
Extend until December 31, 2010 the increased expensing provisions under section 179, which especially benefit small businesses seeking to recover. It is currently required to sunset on December 31, 2007.

With the new Congress hopefully starting back at work on these items in the new year, we will continue to urge that these above items as well as the additional items below need to be addressed urgently.

- Extend the five year carry-back of net operating losses, currently timed to sunset on December 31st, 2007.
- Extend the special allowance for certain property acquired on or after August 28, 2005, which are currently made to sunset for Equipment on December 31, 2007 and for Structures on December 31, 2008.
- Extend the benefit for partial expensing for certain demolition and clean-up costs, which currently

- Extend the benefit for partial expensing for certain demolition and clean-up costs, which currently will sunset on December 31, 2007.
- Extend and expand to petroleum products, the eligibility for expensing environmental remediation costs, which will currently sunset on December 31, 2007.
- Extend the treatment of net operating losses that are attributable to GO Zone losses.
- Extend the application of New Markets Tax Credit to investments in community development entities serving the GO Zone.
- Create additional benefits for Small Businesses by allowing small issue bonds of \$3,000,000 or less be bank qualified under Section 265(b)(3) of the Internal Revenue Code.
- Extend the Worker Retention Credit and include these benefits for the offshore employees based out of the affected GO Zone parishes to qualify for the employee retention credit.
- Extend the Real Estate Placed in Service Date to December 31, 2010 for projects which started construction by December 31, 2008.

Again, I thank you for your commitment over these many months and ask for your continued support on behalf of our great state.

Sincerely,



Governor Kathleen Babineaux Blanco



Norman C. Francis
Chairman, Louisiana Recovery Authority