

**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**



Fiscal Note On: **HB 7** HLS 182ES 13  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 23, 2018 11:53 AM	<b>Author:</b> DEVILLIER
<b>Dept./Agy.:</b> LA Dept. of Economic Development/LA Dept. of Revenue	<b>Analyst:</b> Zachary Rau
<b>Subject:</b> Reduces Motion Picture Production Tax Credit Caps by 50%	

TAX CREDITS OR +\$90,000,000 GF RV See Note Page 1 of 1  
 Reduces the annual cap on the amount of motion picture production tax credits awarded by the DED, reduces the annual cap on the amount of motion picture production tax credits claimed on tax returns, and reduces the per project cap  
Present law imposes a front-end issuance cap of \$150 M annually for final certification of motion picture production tax credits issued by the LA Dept. of Economic Development (LED) on or after July 1, 2017. Proposed law reduces the annual front-end issuance cap by 50%, from \$150 M to \$75 M for applications made on or after July 1, 2018. Proposed law provides that credit applications made in excess of the \$75 M cap in a given year shall be treated as having been applied for on the first day of the ensuing year. Present law imposes a back-end claims cap of \$180 M annually for claims of motion picture production tax credits for state income tax purposes. Proposed law reduces the annual back-end claims cap by 50%, from \$180 M to \$90 M, beginning July 1, 2018. Proposed law allows for the rollover of any unused portion of the \$90 M back-end cap in a given year to the ensuing year. Present law provides a cap of up to \$20 M for a single state certified production and a cap of up to \$25 M for per season of a scripted episodic content for applications made on or after July 1, 2017. Proposed law reduces the aforementioned production caps by 50%, and provides a cap of up to \$10 M for a single state certified production and a cap of up to \$12.5 M for per season of a scripted episodic content for applications made on or after July 1, 2018.

EXPENDITURES	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$90,000,000	\$90,000,000	\$90,000,000	\$90,000,000	\$90,000,000	\$450,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>	<b>\$90,000,000</b>	<b>\$450,000,000</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

Proposed law will increase SGF revenues by up to \$90 M beginning in FY 19 and in subsequent FYs. The proposed legislation reduces the cap on claims of the motion picture production tax credit by 50%, from \$180 M to \$90 M, effective July 1, 2018. In each of the three years FY15 - FY17, film tax credit claims costs have exceeded \$200 million. Assuming the \$180 M cap would be realized in the absence of proposed law, SGF revenues will increase by a maximum of \$90 M annually as a result of the reduced exposure under the reduced cap in the proposed legislation.

Note: in the event the \$90 M cap is not exhausted in a given fiscal year, the remaining portion may be rolled over into the ensuing fiscal year. To the extent this occurs, SGF revenue increases may be less than \$90 M in the ensuing fiscal year.

Senate      Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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