



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **HB 501** HLS 13RS 480  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 1, 2013 8:57 AM	<b>Author:</b> MORENO
<b>Dept./Agy.:</b> Revenue / Economic Development	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Extends musical and theatrical income tax credit to 2015	

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1  
 Extends the sunset of the musical and theatrical production base investment income tax credit

Current law provides a one-time transferable and refundable income tax credit for state certified musical or theatrical infrastructure projects for up to 25% of expenses or private investment related to construction, repair or renovation of facilities which are expended for same in the state. LA payroll is eligible for an additional 10% on salaries up to \$ 1 M per year. The program cost is capped at \$10 million per project and \$60 million per year. Credits will only be granted until January 1, 2014, and, by rule, documentation for final certification must be submitted by August 1, 2013. Initial certification is allowed for 1 year of retroactive spending and are eligible for 1 year after issuance. Other eligibility, expenditure and application fee requirements are contained in the statute.

Proposed law states that projects qualifying for initial certification by December 31, 2013, may be granted credits for an additional year, extending the program sunset to January 1, 2015.

<b>EXPENDITURES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>REVENUES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	DECREASE	DECREASE	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Economic Development and the Department of Revenue will continue to administer the credit within existing budgets.

**REVENUE EXPLANATION**

This bill will allow any project receiving certification by December 31, 2013 an additional year in which to be granted final credits. However, the LA Administrative Code states that final certification documentation must be submitted by August 1, 2013, which could limit the ability of projects to take advantage of this extended sunset.

Expenditure timelines are expected to fluctuate with construction changes and issues. To the extent that this bill draws new projects receiving initial certification by December 31, 2013, that will now be able to qualify for final credits under the extended sunset of this bill, the revenue losses to the state are in direct relation to their size and eligible spending. According to agency data, certified credits are much larger than credits claimed indicating that there are either a large amount of outstanding credits or many projects receiving certification either have not or will not complete construction. However, due to lack of comprehensive knowledge of pending or new projects, the magnitude of the decrease in state receipts due to the issuance of additional credits over the additional time provided by this bill cannot be stated with any degree of certainty.

Historical amounts claimed for this credit have steadily increased from \$30,024 in FY 10, \$588,663 in FY 11, and \$5,261,983 in FY 12. Since inception, the program has approved or has under review 21 projects totaling an estimated \$170 million in eligible expenditures which would generate \$40.8 million in tax credits. The largest project so far was certified for \$10 million in credits, while most other projects are eligible for \$1 million to \$2 million in credits, with these projects including what appear to be school and church auditoriums. Program costs are capped at \$60 million annually, which may eventually be possible to attain if the program is utilized to fund construction of facilities associated with schools and churches.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

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