

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 283** HLS 13RS 396
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 11, 2013 3:03 PM	Author: LEGER
Dept./Agy.: Revenue / Economic Development	Analyst: Greg Albrecht
Subject: Musical and Theatrical Production/Infrastructure Credits	

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
 Provides relative to tax credits for state-certified musical or theatrical productions and state-certified infrastructure projects

Current law provides refundable and transferable income tax credits for musical or theatrical production and infrastructure projects from 10% to 25% of expenses in the state related to production or infrastructure projects. LA payroll is eligible for an additional 10% on salaries up to \$ 1 M per year. Credits are capped at \$10 million per project and \$60 million per program 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 requirements are contained in the statute.

Proposed law expands the credit programs to include development or acquisition of vendor/servicing operations, and for out-of-state expenditures for traveling productions, including concert tours. Transportation and financing costs would also be eligible for credits. Infrastructure credits could be granted until January 1, 2022 (an 8 year extension), and the ability of LED to spread credits out over several years for large projects is removed.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The Department of Economic Development indicates that an expansion of the program will increase applications. The complexity of applications and final cost review are also likely to increase. Additional staff resources may be necessary to administer the program in a timely and diligent manner. LED suggests a contract CPA and an additional business development officer. Depending on workload, these costs are likely to exceed \$100,000 per year.

REVENUE EXPLANATION

The bill expands the expenditures eligible to generate tax credits to include the acquisition or creation/development of servicing firms that provide various services to touring productions. Eligible production expenses are expanded to include transportation and financing, and eligible productions are expanded to include multi-state and multinational touring concerts. The current authority of LED to spread the state's credit exposure across a number of years for large projects is removed.

While an estimate of specific fiscal effect is not possible, the expansion of the program as contemplated in the bill could substantially increase the costs to the state from this program. The bill would pay for up to 25% of the acquisition of existing firms and the out-of-state expenditures of touring productions. Touring productions can involve large outlays, exceeding \$100 million per production. In addition, LED's ability to spread the credit costs of large infrastructure projects (including acquisitions) is removed by the bill, making state exposure more immediate.

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 attained under the expansion provided by this bill.

- | | | |
|--|----------------------------|--|
| <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} |

John D. Carpenter
John D. Carpenter
Legislative Fiscal Officer