LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: May 15, 2013 12:06 PM **Author:** MORENO
Dept./Agy.: Revenue / Economic Development
Subject: Extends musical and theatrical income tax credit to 2015 **Analyst:** Deborah Vivien

TAX CREDITS EG DECREASE GF RV See Note

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 or productions 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 infrastructure program cost is capped at $10 million per project and $60 million per year. Infrastructure credits will only be granted until January 1, 2014. The production credits are not capped and do not sunset. 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 retains current production credit law and states that infrastructure projects qualifying for initial certification between July 1, 2013 and December 31, 2013, may be granted credits for expenditures made over an additional year, extending the qualifying expenditure timeframe of the program to January 1, 2015. The bill specifies, and potentially limits, infrastructure expenses to those defined by LED and allows only proscenium or black-box theatres seating at least 500, limits non-performance space to 25% of the facility, defines related party transaction and restipulates disallowance and recapture of credits to closer align the prescriptive periods of the two agencies.

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
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**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

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

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 a project receiving certification between June 1, 2013 and December 31, 2013 a year in which to make qualifying expenditures that will earn final credits. No other projects will qualify for the infrastructure credit. Expenditure timelines are expected to fluctuate with construction changes and issues. To the extent that this bill draws new projects receiving initial certification between June 1, 2013 and 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. This bill as written seems to stipulate that a project may only qualify for future infrastructure credits if it receives initial certification between July 1, 2013 and December 31, 2014, which may disqualify existing projects and would increase SGF receipts relative to current expectation. From testimony, this does not seem to be the intent of the amendments and this impact is not reflected in the table above.

Historical amounts claimed for this credit have significantly 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. To date, about 25% of the credits earned have been from the production credit and about 80% from the infrastructure credit. 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. Infrastructure program costs are capped at $60 million annually, which may eventually be possible to attain, though the eligible facilities and expenses appear to be somewhat limited by the proposed bill. If the program continues to be utilized to fund construction of facilities associated with schools and churches with projects that can be initially certified between July 1, 2013 and December 31, 2014, costs could escalate substantially.

The note assumes that any removal of transportation credit references, which have expired, limiting productions to those in-state, related party transaction stipulations and recapture of credits are already reflected in current practice and have no fiscal effects.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F) >= $500,000 Annual Fiscal Cost {S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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