LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 483** HLS 13RS 976
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 15, 2013 12:10 PM **Author:** LANDRY, NANCY
Dept./Agy.: Revenue / Economic Development
Subject: Extends musical and theatrical income tax credit to 2022 **Analyst:** Deborah Vivien

TAX CREDITS EG DECREASE GF RV See Note
Extends authority to grant tax credits for certain state-certified musical or theatrical facility infrastructure projects

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 law and expands the infrastructure program beyond January 1, 2014, only for musical or theater infrastructure projects located on a campus of higher education receiving initial certification by January 1, 2018 with expenditures completed by January 1, 2022. The bill specifies, and potentially limits, infrastructure expenses to those defined by LED and projects to 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 align the prescriptive periods of the two agencies involved.

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

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

EXPENDITURE EXPLANATION

The Department of Economic Development and the Department of Revenue will continue to administer the credit within existing budgets. The credit is now geared toward facilities that may require maintenance and operating expenses through the state. To the extent that these facilities are new and not redirecting resources from existing structures, state expenditures may increase, though this is not mandated by the bill.

REVENUE EXPLANATION

Though the musical and theatrical production credit does not sunset and is not capped, the current musical and theatrical infrastructure program sunsets on January 1, 2014 and is capped at $10 M per project and $60 M per year. This bill extends the program with similar parameters until January 1, 2022 but only for investments in musical or theatrical venues located on state higher education campuses that seat 500 or more and on land owned by the institution or a support foundation. The venue must be a proscenium or black-box theater and only 25% must be spent by January 1, 2020. The project must receive initial certification by January 1, 2018. These infrastructure projects are not limited to 50% of credits being certified for projects in Jefferson and Orleans parish as the current program is. Depending on the size and number of eligible musical and theatrical projects on state campuses, state general fund revenue will decrease.

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.

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 20% 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.

Since the credits are refundable, it is expected that the amount outstanding is relatively small. However, expenditure timelines are expected to fluctuate with construction changes and issues. To the extent that projects that would not qualify by January 1, 2014 will be able to qualify under the extended sunset of this bill, the revenue losses to the state are in direct relation to their size and eligible spending. Since credits may be issued up to 12 months after initial certification under current law, and new projects take time to expend at least 25% of funds as required in current law, the first year impacts of this bill may be small. The extension applies to only half of FY 13/14.

Senate / Dual Referral Rules / House

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
- [ ] 6.8(F) >= $500,000 Annual Fiscal Cost {S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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