LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 693** HLS 13RS 1455
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 16, 2013 9:37 AM
Author: LEGER
Dept./Agy.: Revenue
Subject: Modify Motion Picture Tax Credit Program
Analyst: Greg Albrecht

TAX CREDITS EG INCREASE GF RV See Note

Authorizes the use of motion picture investor tax credits against corporation franchise and severance taxes

The bill makes various changes to the definitions of the motion picture tax credit program that appear to constrain the program in terms of expenditures eligible to generate tax credits. Investor tax credits are currently taken against income taxes, and the bill will allow them against franchise tax, severance tax, and sales tax. Certain LED rule making authority is constrained. Income tax withholding is required. A long-term industry planning committee is created to recommend program changes to reduce industry dependence on government subsidy. Recapture provisions are modified.

The bill also establishes different conditions for productions approved into the program after January 1, 2014. For these participants, a 30% credit is allowed for expenditures other than for below-the-line payroll of nonresidents. This nonresident payroll will receive only a 20% credit. Payroll to any person over $1 million is not eligible for the extra 5% payroll credit. Small productions between $50,000 - $300,000 are eligible for 30% credit for investors with 3 years of residency. Effective for tax years beginning on or after January 1, 2014.

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	$0	INCREASE	INCREASE	INCREASE	**$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**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill makes various changes to the definitions of the motion picture credit program that appear to constrain the program in terms of expenditures eligible to generate tax credits. Presumably, these changes apply only to new productions approved into the program after January 1, 2014. Changes to the program explicitly applicable to productions approved in after January 1, 2014 will also constrain program costs relative to the current baseline. However, the small production 30% credit is an expansion of costs since these productions are not currently eligible for the program.

These changes would not be expected to have a material effect on program costs until FY15 or more likely FY16. Payments made to program participants occur after productions have completed and cost reports have been compiled, submitted, and reviewed. Thus, it is unlikely that any of these changes will materially change program costs in FY14. Savings would accumulate over time as existing projects are paid out and new projects under the new provisions of this bill work their way through the program. LED has not been able to generate program data that distinguishes the various expenditures affected by the bill, and no estimate of those future savings is available for these provisions. However, LED is confident that the reduction in credit rate to 20% for below-the-line nonresident payroll will generate costs savings by FY16.

The bill does provide for withholding of personal income taxes from payments for employment services. This does not change ultimate tax liabilities and may not materially change ultimate tax collections from these earnings. However, to the extent withholding has not been occurring this will accelerate the receipt of tax payments and may shift receipts between fiscal years. To the extent liabilities have not been paid, this will encourage compliance and will result in greater tax collections.

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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