LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 483** HLS 13RS 976
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: June 5, 2013 10:22 AM **Author:** LANDRY, NANCY
Dept./Agy.: Revenue / Economic Development
Subject: Extends musical and theatrical income tax credit to 2022 **Analyst:** Deborah Vivien

TAX CREDITS EN 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 potentially limits projects being certified between 7/1/13 and 12/31/13, allows current projects to incur eligible expenditures for an additional year until 1/1/15, and expands the infrastructure program to include projects located on a higher education campus receiving initial certification by 1/1/18 with expenditures completed by 1/1/22. 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 adjusts the recapture of credits.

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. In part, the bill appears to be directing the program’s tax credits 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 ends the infrastructure program as administered under current law on July 1, 2013 (current law does not grant credits after December 31, 2013) and allows projects receiving certification after 7/1/13 to earn credits by 1/1/14 under slightly limited parameters. The bill allows spending to occur an additional year to 1/1/15 for projects certified by 1/1/14.

The bill also extends the program until January 1, 2022 for certain projects 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 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 (via more tax credits issued).

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 75% 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 new projects qualify or incur spending 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, though on-going projects have another year to spend, which may occur quickly.
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. Repealed sections include transportation, multi-use facilities (now limited to 25% of project) and limited productions. To the extent that expenditures for multi-use components will no longer be allowed, state general fund will increase by the amount of the credit not issued, though this effect is not expected to be material.

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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