

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 11** SLS 161ES 35

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: February 25, 2016 8:05 AM	Author: DONAHUE
Dept./Agy.: Economic Development	Analyst: Deborah Vivien
Subject: Cost cap and sunset on Live Performance credit	

TAX/TAXATION

OR INCREASE GF RV See Note

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Establishes a baseline limit on all claims against income and franchise tax for musical and theatrical production income tax credits filed during a fiscal year on a first-come, first-served basis and gives claims above the amount priority in the next

Current Law offers both an infrastructure and production income tax credit on expenses related to musical and theater performance in the state. The production credit is a percentage of expenditures that increase as the expenditures increase with the highest percentage at 25% for projects greater than \$1M with no cap. An additional credit of 10% of payroll is eligible for employees that are LA residents and an additional 0.1% for payroll on LA college student employees. The infrastructure credit has expired for all but higher education projects receiving certification before 1/1/18 and expenditures before 6/30/22 with a project cap of \$7.2M and a program cap of \$43.2M.

Proposed Law caps program costs at \$4M per year and effectively terminates the infrastructure credit by only authorizing projects certified prior to 7/1/15. The bill may also terminate the production credit on 6/30/21 or will remove the \$4M cap.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	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						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

According to LED, the infrastructure credit currently has about \$8.7M pending claims (\$35.4M paid out since the program's inception) with no applicants under the current infrastructure program. The production credit has an estimated \$9M pending claims (\$7M paid out) for a total of \$17.7M estimated exposure from current projects. According to the Tax Exemption Budget, the state has paid \$5M in FY 13, \$9M in FY 14 and \$13.5M in FY 15. If these years are an indication of the growth path of the program, the bill will result in material increases in net state receipts, possibly in the range of \$4 million - \$5 million per year, with growth over time.

According to LED, this bill will probably eliminate future activity in this program.

Senate Dual Referral Rules House

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| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & 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} |

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