HLS 17RS-461 ORIGINAL

2017 Regular Session

HOUSE BILL NO. 646

1

BY REPRESENTATIVE LEGER

TAX CREDITS: Adds additional tax credits for eligible applicants applying for the sound recording investor tax credit and provides for the amount of the expenditure verification report fee and deposit

AN ACT

2 To amend and reenact R.S. 47:6023(A)(introductory paragraph), (1)(b), (B)(1), 3 (C)(1)(introductory paragraph), and (b) and (2), (D)(1)(introductory paragraph), 4 (2)(c), (d), and (e), and (4), to enact R.S. 47:6023(C)(4), and to repeal R.S. 5 47:6023(A)(2)(c), (B)(6), and (D)(1)(d), relative to tax credits; to provide with 6 respect to the sound recording investor tax credit; to provide for an additional tax 7 credit; to provide for the amount of the fee associated with certain reports; and to 8 provide for related matters. 9 Be it enacted by the Legislature of Louisiana: 10 Section R.S. 47:6023(A)(introductory paragraph), (1)(b), (B)(1), 11 (C)(1)(introductory paragraph) and (b) and (2), (D)(1)(introductory paragraph), (2)(c), (d), 12 and (e), and (4) are hereby amended and reenacted and R.S. 47:6023(C)(4) is hereby enacted 13 to read as follows: 14 §6023. Sound recording investor tax credit 15 Purpose. The primary objective of this Section is to encourage 16 development in Louisiana of a strong capital and infrastructure base for sound 17 recording productions in order to achieve a more independent, self-supporting music 18 and sound recording industry. This objective is divided into immediate and long-term 19 objectives as follows:

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1	(1) Immediate objectives are to:
2	* * *
3	(b) Develop a tax and capital infrastructure which encourages private
4	investment. This tax infrastructure is to provide for state participation in the form of
5	tax credits to encourage investment in state-certified sound recording productions
6	and infrastructure.
7	* * *
8	B. Definitions. For the purposes of this Section:
9	(1) "Base investment" shall mean the actual investment made and expended
10	in the state by a state-certified production as production-related costs or as capital
11	costs of a state-certified sound recording infrastructure project. Expenditures
12	comprising the base investment shall not include the expenditure verification report
13	fee paid by the sound recording production company for purposes of verification of
14	the company's cost report for production or project expenditures.
15	* * *
16	C. Investor tax credit; state-certified productions and infrastructure projects.
17	(1) Until January 1, 2020 January 1, 2022, there is hereby authorized a credit
18	against the state income tax for investments made in state-certified productions and
19	state-certified sound recording infrastructure projects. The tax credit shall be earned
20	by investors at the time expenditures are certified by the Louisiana Department of
21	Economic Development according to the total base investment certified for the sound
22	recording production company per calendar year; however, no credit shall be allowed
23	under this Section for any expenditures for which a credit was granted under R.S.
24	47:6007.
25	* * *
26	(b) For state-certified productions certified on and after July 1, 2015, and
27	state-certified infrastructure projects which have been applied on or after July 1,
28	2015, and before July 1, 2017, each investor shall be allowed a tax credit of eighteen

1	percent of the base investment made by that investor in excess of fifteen thousand
2	dollars or, if a resident of this state, in excess of five thousand dollars.
3	* * *
4	(2) Sound recording investor tax credits associated with a state-certified
5	production shall never exceed the total base investment in that production or sound
6	recording infrastructure project.
7	(a) For state-certified productions certified on and after July 1, 2017, in
8	addition to the tax credit authorized in Paragraph (1) of this Subsection, a tax credit
9	shall be allowed for investors, as defined in Subparagraph (c) of this Paragraph, for
10	an amount equal to the following:
11	(i) For investors who create fewer than ten new jobs, each with a minimum
12	annual salary of thirty-five thousand dollars per year, the amount of the additional
13	tax credit shall be ten percent of such payroll.
14	(ii) For investors who create ten or more new jobs, each with a minimum
15	annual salary of thirty-five thousand dollars per year, the amount of the additional
16	tax credit shall be fifteen percent of such payroll.
17	(b) Notwithstanding the amount of the credit earned by the investor pursuant
18	to this Paragraph, application of the tax credits earned and claimed against the
19	investor's state income tax liability shall never reduce the investor's income tax
20	liability below fifty percent of the amount of the liability prior to application of the
21	credit. Any excess credit may be carried forward for up to five years and shall be
22	applied in the same manner as prescribed by this Subparagraph.
23	(c) Investors eligible to receive the credit provided for in this Paragraph shall
24	be limited to entities assigned a North American Industry Classification System code
25	as follows:
26	(i) 334310 Household Audio and Video Equipment Manufacturing
27	(ii) 334610 CD, Tape, and Record Production
28	(iii) 339992 Musical Instrument Manufacturing
29	(iv) 451140 Musical Instrument and Supplies Stores

1	(v) 451220 Prerecorded Tape, CD, and Record Stores
2	(vi) 512210 Record Production
3	(vii) 512220 Integrated Record Production/Distribution
4	(viii) 512230 Music Publishers
5	(ix) 512240 Sound Recording Studios
6	(x) 611610 Fine Arts Schools
7	(xi) 711310 Promoters of Performing Arts with Facilities
8	(xii) 711320 Promoters of Performing Arts without Facilities
9	(xiii) 711410 Agents
10	* * *
11	(4) Sound recording investor tax credits associated with a state-certified
12	production shall never exceed the total base investment in that production.
13	D. Certification and administration.
14	(1) The secretary of the Department of Economic Development shall
15	determine through the adoption and promulgation of rules which projects and
16	expenditures, including amounts expended in this state on state-certified
17	infrastructure projects, qualify according to this Section. In addition, these rules shall
18	be approved by the House Committee on Ways and Means and the Senate
19	Committee on Revenue and Fiscal Affairs in accordance with the provisions of the
20	Administrative Procedure Act. When determining which projects expenditures
21	qualify, the Louisiana Department of Economic Development shall take the
22	following factors into consideration:
23	* * *
24	(2)
25	* * *
26	(c)(i) The Louisiana Department of Economic Development shall directly
27	engage and assign a certified public accountant to prepare an expenditure verification
28	report on a sound recording production company's cost report of production or
29	project expenditures. The applicant shall be responsible for payment of the

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2	all records related to the tax credit application available to the department and the
3	accountant.
4	(ii) The applicant will be assessed the department's actual cost for the
5	expenditure verification report fee. The maximum fee for the report shall be five
6	thousand dollars for verification of a cost report reflecting production or project
7	expenditures of between five thousand dollars and fifty thousand dollars, and a
8	maximum fee of fifteen thousand dollars for verification of a cost report reflecting
9	production or project expenditures in excess of fifty thousand dollars. shall be as
10	<u>follows:</u>
11	(aa) Five hundred dollars for verification of a cost report reflecting
12	production or project expenditures of less than fifteen thousand dollars.
13	(bb) One thousand dollars for verification of a cost report reflecting
14	production or project expenditures of at least fifteen thousand dollars, but less than
15	twenty-five thousand dollars.
16	(cc) One thousand five hundred dollars for verification of a cost report
17	reflecting production or project expenditures of at least twenty-five thousand dollars,
18	but less than thirty-five thousand dollars.
19	(dd) Two thousand five hundred dollars for verification of a cost report
20	reflecting production or project expenditures of at least thirty-five thousand dollars,
21	but less than fifty thousand dollars.
22	(ee) Five thousand dollars for verification of a cost report reflecting
23	production or project expenditures of fifty thousand dollars or more.
24	(iii) At the time of application, the applicant shall submit a deposit of in an
25	amount equal to fifty percent of the expenditure verification report fee of two
26	thousand five hundred dollars for productions or projects with qualified expenditures
27	projected to be between five thousand dollars and fifty thousand dollars, and a
28	deposit of five thousand dollars for those projected to be in excess of fifty thousand
29	dollars required pursuant to the provisions of Item (ii) of this Subparagraph.

expenditure verification report fee in accordance with R.S. 36:104.1, and shall make

(d) The Louisiana Department of Economic Development shall submit its initial certification of a project as a state-certified production or a state-certified sound recording infrastructure project to investors and to the secretary of the Department of Revenue. The initial certification shall include a unique identifying number for each state-certified production or state-certified project.

(e) Upon project completion, the applicant shall make a request to the Louisiana Department of Economic Development to proceed to final certification by submitting to the department a cost report of production or project expenditures to be formatted in accordance with instructions of the department. The applicant shall make all records related to the cost report available for inspection by the department and the accountant selected by the department to prepare the expenditure verification report. After review and investigation of the cost report, the accountant shall submit to the department an expenditure verification report. Sound recording investor tax credits shall be certified only upon the receipt and approval by the department of an expenditure verification report submitted by a certified public accountant in accordance with this Subparagraph. The department shall review the expenditure verification report, and for those expenditures found to be qualified the department shall issue a tax credit certification letter to the investors indicating the amount of tax credits certified for the state-certified production or state-certified infrastructure project.

21 \* \* \*

(4) With input from the Legislative Fiscal Office, the Louisiana Department of Economic Development shall prepare a written report to be submitted to the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs no less than sixty days prior to the start of the Regular Session of the Legislature in 2007, and every second year thereafter. The report shall include the overall impact of the tax credits, the amount of the tax credits issued, the number of new jobs created, the amount of Louisiana payroll created, the economic impact of the tax credits and sound recording industry, the amount of new infrastructure that

1 has been developed in the state, and any other factors that describe the impact of the

2 program.

3 \* \* \*

4 Section 2. R.S. 47:6023(A)(2)(c), (B)(6), and (D)(1)(d) are hereby repealed in their

5 entirety.

## **DIGEST**

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 646 Original

2017 Regular Session

Leger

**Abstract:** Adds an additional sound recording payroll tax credit for applicants who create a certain amount of new jobs and reduces the amount of the fee for verification of a cost expenditure verification report and the amount of the deposit for such report.

<u>Present law</u> provides for a state income tax credit for investments made in state-certified productions and state-certified sound recording infrastructure projects until Jan. 1, 2020. The tax credit shall be earned by investors at the time expenditures are certified by the Dept. of Economic Development (DED) according to the total base investment certified for the sound recording production company per calendar year.

<u>Present law</u> provides that the amount of the credit for each investor for state-certified productions certified on and after July 1, 2015, and state-certified infrastructure projects which have been applied on or after July 1, 2015, is 18% of the base investment made by that investor in excess of \$15,000 or, if a resident of this state, in excess of \$5,000.

<u>Proposed law retains present law</u> but extends the program <u>from Jan. 1, 2020, to Jan. 1, 2022, and provides for the following additional tax credits for state-certified productions certified on and after July 1, 2017, as follows:</u>

- (1) 10% of payroll for investors who create fewer than 10 new jobs, each with a minimum annual salary of \$35,000 per year.
- (2) 15% of payroll for investors who create 10 or more new jobs, each with a minimum annual salary of \$35,000 per year.

<u>Proposed law</u> prohibits the application of the tax credits earned and claimed against the investor's state income tax liability from reducing the investor's income tax liability below 50% of the amount of the liability prior to application of the credit. Authorizes excess amounts of the credit to be carried forward for up to five years.

<u>Proposed law</u> provides that the only investors eligible for the additional credits authorized in <u>proposed law</u> are investors or entities assigned a North American Industry Classification System code as follows:

- (1) 334310 Household Audio and Video Equipment Manufacturing
- (2) 334610 CD, Tape, and Record Production
- (3) 339992 Musical Instrument Manufacturing
- (4) 451140 Musical Instrument and Supplies Stores
- (5) 451220 Prerecorded Tape, CD, and Record Stores

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- (6) 512210 Record Production
- (7) 512220 Integrated Record Production/Distribution
- (8) 512230 Music Publishers
- (9) 512240 Sound Recording Studios
- (10) 611610 Fine Arts Schools
- (11) 711310 Promoters of Performing Arts with Facilities
- (12) 711320 Promoters of Performing Arts without Facilities
- (13) 711410 Agents

<u>Present law</u> prohibits the credits associated with a state-certified production from exceeding the total base investment in that production or sound recording infrastructure project.

<u>Proposed law</u> retains <u>present law</u> but deletes all references to sound recording infrastructure projects in present law.

<u>Present law</u> restricts the aggregate amount of credits certified for all investors during any calendar year from exceeding \$2,160,000.

## Proposed law retains present law.

<u>Present law</u> requires DED to directly engage and assign a certified public accountant to prepare an expenditure verification report on a sound recording production company's cost report of expenditures. Applicants shall be assessed the department's actual cost for the expenditure verification report fee. The maximum amount of the fee for the report shall be \$5,000 for verification of expenditures of between \$5,000 and \$50,000, and a maximum fee of \$15,000 for verification of expenditures in excess of \$50,000.

Proposed law changes the amount of the expenditure verification report fee to the following:

- (1) \$500 for verification of cost expenditures of less than \$15,000.
- (2) \$1,000 for verification of cost expenditures of at least \$15,000, but less than \$25,000.
- (3) \$1,500 for verification of cost expenditures of at least \$25,000, but less than \$35,000.
- (4) \$2,500 for verification of cost expenditures of at least \$35,000, but less than \$50,000.
- (5) \$5,000 for verification of cost expenditures of \$50,000 or more.

<u>Present law</u> requires an applicant to also submit a deposit fee of \$2,500 for productions or projects with qualified expenditures projected to be between \$5,000 and \$50,000 and a deposit of \$5,000 for those projected to be in excess of \$50,000.

<u>Proposed law</u> changes <u>present law</u> to reduce the amount of the deposit to 50% of the amount of the fee required for the verification of a cost report.

(Amends R.S. 47:6023(A)(intro. para.), (1)(b), (B)(1), (C)(1)(intro. para.) and (b) and (2), (D)(1)(intro. para.), (2)(c), (d), and (e), and (4); Adds R.S. 47:6023(C)(4); Repeals R.S. 47:6023(A)(2)(c), (B)(6), and (D)(1)(d))