DIGEST

HB 646 Engrossed | 2017 Regular Session | Leger

Abstract: Adds provisions for a project based production credit and a company based QMC payroll credit within the annual cap of the program and reduces the amount of the fee for verification of a cost expenditure verification report and the amount of the deposit for such report.

Present law 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.

Present law 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.

Proposed law retains present law but extends the program 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:

(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.

Present law defines "base investment" as the actual investment made and expended in the state by a state-certified production as production-related costs or as capital costs of a state-certified sound recording infrastructure project.

Proposed law changes present law by deleting references to state-certified sound recording infrastructure projects and by adding payroll expenditures from qualified music companies, hereinafter "QMCs", approved by the office and the secretary on or after July 1, 2017 to the definition of "base investment".

Proposed law defines a "QMC" as an entity authorized to do business in La., engaged directly or indirectly in the production, distribution and promotion of music, certified by the secretary as meeting the eligibility requirements of present law and proposed law, and executing a contract providing the terms and conditions for its participation.

Proposed law provides for a project based production credit for applications for state-certified productions received on or after July 1, 2017, for each investor equal to 18% of the base investment made by that investor in excess of $25,000. However, if the investor who is applying for the tax credit is a La. resident, the 18% tax credit shall be allowed on base investments which exceed $10,000.

Proposed law provides for a company based QMC payroll credit for applications for QMCs received on or after July 1, 2017, to the extent that base investment is expended on payroll for La. residents in connection with a QMC. The amount of the tax credits varies as follows:

(1) Tier 1 - A payroll credit of 10% for each new job whose QMC payroll is equal to or greater than $35,000 per year, up to $66,000 per year.

(2) Tier 2 - A payroll credit of 15% for each new job whose QMC payroll is equal to or greater than $66,000 per year, but no greater than $200,000 per year.

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

Proposed law retains present law but deletes all references to sound recording infrastructure projects in present law.

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

Proposed law retains present law but requires 50% of the annual cap to be reserved for QMCs and limits the maximum amount of $100,000 in tax credits may be granted per project, per calendar year.

Proposed law provides for eligibility requirements for applicants applying for the company based QMC payroll credit.

Proposed law prohibits a credit earned and claimed against an investor's 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. Further authorizes excess amounts of the credit to be carried forward for up to five years against the subsequent income tax liability of the taxpayer.

Present law 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) $1,500 for verification of cost expenditures of at least $10,000 but less than $25,000.

(2) $3,000 for verification of cost expenditures of at least $25,000, but less than $50,000.

(3) $5,000 for verification of cost expenditures of at least $50,000, but less than $100,000.

(4) $7,500 for verification of cost expenditures of more than $100,000.

Present law 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.

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

Present law requires the Dept. of Economic Development to submit a tax credit certification letter to the Dept. of Revenue on behalf of the investor who earned the sound recording tax credits.

Proposed law retains present law but limits the tax credit certification letter to project based tax credits.

Present law requires, beginning on Jan. 1, 2016, the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs to review the credit authorized in present law to determine if the economic benefit provided by the credit outweigh the loss of revenue realized by the state as a result of awarding such credit. Further requires the committees to make a specific recommendation no later than March 1, 2017, to either continue the credit or to terminate the credit.

Proposed law repeals present law.

(Amends R.S. 47:6023(A)(intro. para.), (1)(b), (B), (C)(1)(intro. para.) and (b) and (3)(intro. para.), (D)(1)(intro. para.), (2)(c), (d), and (e), and (4), (E), and (I); Adds R.S. 47:6023(C)(1)(c) and (d), (4) and (5); Repeals R.S. 47:6023(A)(2) and (D)(1))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Add payroll expenditures from QMCs approved by the office and the secretary on or after July 1, 2017 to the definition of "base investment".

2. Add definitions.

3. Delete references to an additional tax credit for investors with particular NAICS codes for state-certified productions certified on and after July 1, 2017.

4. Provide for a project based production credit for applications for state-certified productions received on or after July 1, 2017, equal to 18% of the base investment made by an investor in excess of $25,000. However, if the investor is a La. resident, the 18% tax credit shall be allowed on base investments which exceed $10,000.

5. Provide for a company based QMC payroll credit for applications for QMCs received on or after July 1, 2017, to the extent that base investment is expended on payroll for La. residents in connection with a QMC. The amount of the tax credit varies from 10% or 15% depending on the salary of the job created.

6. Add requirement that 50% of the annual cap be reserved for QMCs and caps the maximum amount of a credit at $100,000 per project, per calendar year.

7. Add eligibility requirements for applicants applying for the company based QMC payroll credit.

8. Change the amount of the expenditure verification report fee and the graduated thresholds of the amounts of the expenditures verified in the reports.

9. Limit the tax credit certification letter to project based tax credits.

10. Delete the House Ways and Means and the Senate Revenue and Fiscal Affairs Committee review of the credit and requirement that the committees make recommendations regarding the return on investment of the credit.