LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 686** HLS 17RS 2581
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.: HB 530

Date: May 31, 2017 5:50 PM
Author: BROADWATER
Dept./Agy.: LA Economic Development Corp./LA Dept. of Revenue
Subject: CEA Program for Motion Picture Tax Credits
Analyst: Zachary Rau

ECONOMIC DEVELOPMENT RE SEE FISC NOTE GF RV See Note
Provides for the Louisiana Headquartered Motion Picture Production Cooperative Endeavor Program

Proposed law establishes the LA Headquartered Motion Picture Cooperative Endeavor Agreement Program, beginning with FY20. Proposed law provides for certain definitions. Proposed law allows the state, through the LA Economic Development Corp., to enter into cooperative endeavor agreements with LA banks and qualifying firms for the purpose of financing a portion of production expenses of a qualified production. Proposed law authorizes a tax credit against the LA state income tax through a LA Headquartered Motion Picture Production Cooperative Endeavor Agreement to be earned by a qualifying firm. Present law places a $180 M cap on claims of Motion Picture Production tax credits from FY 16-18. Proposed law appears to allocate up to $20 M of credits to the new program and provides them a priority over other credits within a presumed cap. Proposed law provides for terms of the cooperative endeavor agreements. Proposed law states that $20 M allocated for the program shall not be available to be earned in the event the LEDC does not enter into CEAs with firms for proposed law's purpose. Proposed law includes provisions for credit application and transfers, as well as associated fees.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	SEE BELOW	SEE BELOW	SEE BELOW	**$0**
Agy. Self-Gen.	$0	$0	SEE BELOW	SEE BELOW	SEE BELOW	**$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**

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	SEE BELOW	SEE BELOW	SEE BELOW	**$0**
Agy. Self-Gen.	$0	$0	SEE BELOW	SEE BELOW	SEE BELOW	**$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

Proposed law appears to require this new component of the film tax credit program to be administered by the LA Economic Development Corp., rather than the Entertainment Division of LED that administers the current program. LED indicates that one position with an associated salary and related benefits of $97,500 may be needed to review additional cooperative endeavor agreements associated with the program. Application fees may cover all or some portion of this administrative cost, but additional SGF support might also be required.

REVENUE EXPLANATION

Proposed law appears to be ambiguous in terms of how it may affect SGF receipts. The proposed legislation creates a new motion picture cooperative endeavor program associated with the Motion Picture Production Tax Credit, allowing for firms and the state (through the LA Economic Development Corporation) to enter into cooperative endeavor agreements (CEAs). Proposed law states that $20 M in credits under the Motion Picture Production tax credit shall be allocated to the new CEA Tax Credits Program beginning in FY 20 and in subsequent fiscal years.

Proposed law appears to contemplate the Motion Picture Tax Credit Program operating under a cap on claims in FY 20 and in subsequent FYs, and that $20 M of credits underneath the assumed claims cap will be dedicated to the new CEA Tax Credits program. However, the provision of present law providing for the current $180 M cap on Motion Picture Production Tax Credit claims in a given fiscal year sunsets in FY 19 [see LA R.S. 47:6007(C)(1)(d)(ii)(aa) and (cc)]. Furthermore, the proposed legislation does not include a provision for an overall cap on credit certifications or claims for the Motion Picture Tax Credit Program, nor does it include an extension of the sunset date for the current cap on claims in a given fiscal year. However, proposed law appears to cite a provision of SB 254 that establishes a $180 M cap on claims beginning in FY 18. To the extent HB 686 and SB 254 are both enacted into law, it appears that $20 M of the $180 M cap on claims would be dedicated to the provisions of this bill beginning in FY 20. In the absence of such a cap on the overall Motion Picture Production Tax Credit program, the $20 M of credits provided by CEA Tax Credits Program in proposed law may be interpreted as a new exposure to the State General Fund, decreasing net receipts by up to $20 M annually, as the Motion Picture Investor Tax Credit program will no longer be capped in FY 20. Furthermore, proposed law describes the CEA Program credits as separate and distinct from the investor credits of the current program.

The proposed legislation further requires that all agreements between firms and the state require provisions allowing for the state to receive revenues up to the face value of credits issued under the CEA Tax Credits Program from revenues derived from commercial exploitation of the qualifying project worldwide. In addition, the state is entitled to 10% of all producer net profits of the production. While proposed law allows for the state to receive revenues via requirements in the CEA, any revenue potential for the state associated with the CEA repayment provisions is speculative. Furthermore, proposed law may increase SGR collections for the LEDC and LDR by an indeterminable amount. The proposed legislation requires an application fee pursuant to present law due to the LEDC for firms applying to participate in the program and allows LDR to levy a $200 fee for all transfers of the new program's credits. To the extent firms participate in the program and engage in credit transfers both agencies would realize SGR increases. However, the increase is indeterminable and dependent upon program activity.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & 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}

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist