



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 646** HLS 17RS 461
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 31, 2017 7:16 PM	Author: LEGER
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Subject: Expands and Extends the Sound Recording Tax Credit	

TAX CREDITS RE DECREASE GF RV See Note Page 1 of 1
 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

Extends the current 18% sound recording investor tax credit by two years, to January 1, 2022 from January 1, 2020. For applications made on and after July 1, 2017, provides an 18% tax credit for production expenditures above a baseline threshold (\$10,000 for a La resident, \$25,000 others). Also provides two tiers of credit based on payroll of qualified music companies (10% credit for jobs paid \$35,000 - \$66,000, 15% credit for \$66,000 - \$200,000 paid jobs). Eligible businesses can be directly or indirectly engaged in music production, promotion, distribution, publishing, recording, be a booking agent or an artist management firm, or be any other business approved at the discretion of LED. Credits can not reduce tax liability by more than 50%, and a five-year carryforward of unused credit is allowed. Qualifying expenditure verification costs are changed from \$5,000- \$15,000 to \$1,500 - \$7,500, depending on total project expenditures. Infrastructure components of the existing credit are removed.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$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

EXPENDITURE EXPLANATION

The bill changes the fee structure for obtaining expenditure verification audits from independent accounting firms. These fees are paid by the applicant, and are not a part of the program administrative budget.

REVENUE EXPLANATION

The current program tax credit cap is \$2,160,000 per year, but LED has never issued the maximum amount of credits allowed per year. Annual average credits issued over the five-year period of 2012-2016 have been \$200,000. Extension of the credit for two additional years will add additional cost exposure to the state fisc over the FY20 - FY22 period.

However, the cost exposure of the program is more likely increased significantly by the expansion of the credit to the various types of businesses currently not eligible for the credit. Those newly eligible business can include firms directly or indirectly engaged in music production, promotion, distribution, publishing, recording, be a booking agent or an artist management firm. According to the U.S. Economic Census, in 2015 there were 114 establishments in Louisiana assigned the North American Industry Classification System codes that seem to be consistent with the kinds of businesses listed in the bill as eligible for the program. Additionally, the bill gives discretion to LED to approve any other business into the program. It is possible that the issuance of tax credits under the program could approach or meet the \$2.160 million per year maximum allowed.

The time lag between the July 1, 2017 start of the new program parameters in the bill and realization of any new tax credits means that the earliest additional program costs can affect the state fisc is FY19. These costs are realized as reductions in net state tax receipts from what they would otherwise be.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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