

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 331** HLS 19RS 245
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|-------------------------------|
| Date: April 24, 2019 2:37 PM | Author: LEGER |
| Dept./Agy.: Economic Development | Analyst: Greg Albrecht |
| Subject: Sound Recording Tax Credit | |

TAX CREDITS EG -\$240,000 GF RV See Note Page 1 of 1

Changes the sound recording investment credit to a refundable tax credit and authorizes an additional base investment tax credit for resident copyrighted sound recordings
Present law provides tax credits for music industry related companies payrolls of 10% for jobs paying \$35,000 - \$66,000 per year, and 15% for jobs paying \$66,000 - \$200,000 per year. Credits are nonrefundable, but with a five-year carry-forward allowed. These credits are granted within the total program annual credit cap of \$2,160,000. No credits shall be allowed for applications received on or after July 1, 2021.

Proposed law converts the existing nonrefundable credit to a refundable credit, and provides an additional 10% credit for sound recording production of a resident copyright. Eligibility based on certain named types of businesses is removed. The availability of credits is extended five years to July 1, 2026.

Effective upon governor's signature.

| EXPENDITURES | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| State Gen. Fd. | \$0 | (\$120,000) | (\$240,000) | (\$240,000) | (\$240,000) | (\$840,000) |
| 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> | <u>\$0</u> |
| Annual Total | \$0 | (\$120,000) | (\$240,000) | (\$240,000) | (\$240,000) | (\$840,000) |

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill appears to expand the types of music related businesses that may participate in the program, and provides an additional 10% credit for productions based on copyrights held by Louisiana residents. In addition, credits are converted from nonrefundable status (with a five-year carry-forward) to refundable status, allowing immediate receipt of the full benefit of credits not limited by annual tax liability. These changes work to expand the annual credit costs of the program, as well as allow program costs beyond the current life of the program. While the annual program maximum of credits that can be awarded by LED is retained at \$2.160 million, there is no maximum on the amount of credits that can be claimed on tax returns. However, the program has never awarded the maximum allowed amount of annual credit, nor have credit realizations against tax liabilities reported achieved that level. While credit awards and claims against tax have been higher in earlier years (typically \$225,000 awards, \$300,000 claims), in the last two years both awards and claims have been significantly lower (\$50,000 awards, \$60,000 claims).

While refundability may encourage more program participation, it seems unlikely that participation and claims would dramatically increase as a result of the bill. With current law program credit award cap of \$2.160 million retained, it might be conceivable that program participation and claims eventually return to levels experienced in earlier years. This would imply additional credit costs of \$240,000 per year over the current baseline of experience. Since current program credits are allowed for applications received up to July 1, 2021, some program credit costs will likely occur over the fiscal note horizon that can not be attributed to this bill. Additional program costs attributable to this bill are likely to be small, if any, in FY20, then ramp-up to the likely additional costs discussed above over the following periods.

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}

Evan Brasseaux

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