

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 52** HLS 201ES 146
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Digital Interactive Media Tax Credit	

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

Increases the amount of the Digital Interactive Media and Software Tax Credit and expands eligibility to include information technology services (Item #19)

Present law provides a refundable tax credit of 18% of qualifying expenditures on productions certified by the LED office of entertainment industry development, with an additional 7% (total of 25%) for La. resident payroll.

Proposed law increases the credit by 2% points, beginning July 1, 2021, and requires LED to retain that increase on behalf of program participants for reimbursement to participants for training expenses attributable to new employees who come from economically disadvantaged groups and targeted demographics such as women, minorities, and veterans.

Proposed law expands eligibility for the program to information technology services in the area of cybersecurity, cloud engineering, and data analytics in support of digital systems or platforms.
 Effective July 1, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

LED indicates that additional resources (possibly an additional position) may be needed to administer the program with the changes provided by the bill, such as reviewing expense reimbursement claims for the 2% credit training expense, as well as processing applications for the new expanded eligible expenses (information technology services in the area of cybersecurity, cloud engineering, and data analytics in support of digital systems or platforms). The extent of 2% expense claims and expanded eligibility expense claims will determine the need for additional administrative resources.

REVENUE EXPLANATION

The current program has averaged \$10.8 million per year of credit realization cost over the three year period of FY16 - FY18, with an outsized cost in FY19 of \$29 million. An increase in the credit rate by 2% on this baseline of activity implies at least an additional \$1.2 million per year of credit cost exposure, beginning in FY22. This additional credit cost appears to be dependent upon reimbursement of actual training expenses associated with the targeted employee groups, but include sixty days of payroll, training providers, training materials, and travel expenses.

In addition, the bill expands eligibility to the program's credits to a potentially broad set of expenditures characterized as "information technology services in the area of cybersecurity, cloud engineering, and data analytics in support of digital systems or platforms". It seems possible that many firms could claim expenditures that fall under this expansion of the program; some firms, claiming substantial amounts of such characterized expenditures. As drafted, these expenditures may be eligible for the existing 18% (plus 7% on La. resident payroll) credits starting July 1, 2020, resulting in FY21 credit claims. Beginning with FY22, the bill's additional 2% credit would be available to these firms as well.

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}

John D. Carpenter
 Legislative Fiscal Officer