LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: June 14, 2020 3:10 PM	**Author:** COUSSAN
Dept./Agy.: Economic Development	
Subject: Digital Interactive Media Tax Credit	**Analyst:** Greg Albrecht

TAX CREDITS   EG 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, 2023, 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, 2023.

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.	$0	$0	$0	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**			**$0**

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 includes 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 currently ongoing expenditures and payroll 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 currently operating in the state could claim expenditures that fall under this expansion of the program; some firms, claiming substantial amounts of such characterized expenditures. LED reports that expenditures such as these have been denied as ineligible under the current program. Inclusion of such expenditures in the program could result in additional credit costs of several millions of dollars per year.

The effective date of the bill, July 1, 2023 makes FY24 the earliest year of possible credit realizations against the state fisc.

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}	*John D. Carpenter*
☐ 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}	**John D. Carpenter** **Legislative Fiscal Officer**