# SLS 21RS-415

### ORIGINAL

2021 Regular Session

SENATE BILL NO. 173

BY SENATOR HEWITT

TAX/TAXATION. Provides relative to the administration of the Motion Picture Production Tax Credit. (gov sig)

1	AN ACT
2	To amend and reenact R.S. 47:6007(C)(1)(a)(i)(aa) and (4)(h)(ii) and (iii)(bb), (D)(2)(d)(i),
3	(I), (J)(1), and (3)(a), relative to the motion picture production tax credit; to provide
4	for the out-of-zone base tax credit enhancement; to provide for the uses of the
5	Louisiana Entertainment Development Fund; to provide for the allocation of tax
6	credits; to provide for rollover of any excess tax credit cap; to increase the per
7	project cap; to extend the program termination date; and to provide for related
8	matters.
9	Be it enacted by the Legislature of Louisiana:
10	Section 1. R.S. 47:6007(C)(1)(a)(i)(aa) and (4)(h)(ii) and (iii)(bb), (D)(2)(d)(i), (I),
11	(J)(1), and $(3)(a)$ are hereby amended and reenacted to read as follows:
12	§6007. Motion picture production tax credit
13	* * *
14	C. Production tax credit; specific productions and projects.
15	(1) * * *
16	(a) * * *
17	(i) Base investment credit. If the total base investment is greater than three

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1	hundred thousand dollars, or if a production is a Louisiana screenplay production,
2	each investor shall be allowed a tax credit of twenty-five percent of the base
3	investment made by the investor. Investors may receive an increased base investment
4	credit rate by satisfying any of the following criteria:
5	(aa) Out-of-zone filming. A five percent increase in the base investment rate
6	may be allowed for state-certified productions with their production office and sixty
7	percent of principal photography based and occurring outside of the New Orleans
8	Metro Statistical Area, as delineated by the federal Office of Management and
9	Budget, but not including St. John the Baptist Parish and St. Tammany Parish.
10	* * *
11	(4)Transferability of the credit. Except as provided for in Subparagraph (g)
12	of this Paragraph, motion picture tax credits not previously claimed by any taxpayer
13	against its income tax may be transferred or sold to another Louisiana taxpayer or
14	to the Department of Revenue, subject to the following conditions:
15	(h) * * *
16	(ii) There is hereby established in the state treasury a special treasury fund,
17	the Louisiana Entertainment Development Fund, hereinafter referred to as the
18	"fund". Out of the funds remaining in the Bond Security and Redemption Fund after
19	a sufficient amount is allocated from that fund to pay all obligations secured by the
20	full faith and credit of the state which becomes due and payable within any fiscal
21	year as required by Article VII, Section 9(B) of this constitution La. Const. Art.
22	VII, Sec. 9(B), the treasurer shall deposit in and credit to the fund the fees deposited
23	as provided in this Paragraph.
24	(iii)The money in the fund shall be appropriated by the legislature as follows:
25	* * *
26	(bb) Seventy-five percent to the Department of Economic Development,
27	office for education development initiatives, matching grants for Louisiana
28	filmmakers, a loan guarantee program, and a deal closing fund state work force
29	development programs, and other motion picture and television related

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1	programs as determined by rule.
2	* * *
3	D. Certification and administration.
4	* * *
5	(2)(a) Application. An applicant for the motion picture investor credit shall
6	submit an application for initial certification to the office and the secretary of the
7	Department of Economic Development that includes the following information:
8	* * *
9	(d)(i) Project-based production tax credit. After application review and
10	consideration of all discretionary factors, the office and the secretary shall submit
11	their initial certification or written denial of a project as a state-certified production
12	to investors and to the secretary of the Department of Revenue indicating the total
13	base investment which shall be expended in the state on the state-certified production
14	within sixty days of their receipt of all required information. The initial certification
15	shall include a unique identifying number for each state-certified production and
16	shall may provide for a preliminary allocation of tax credits by year.
17	* * *
18	I. No credits shall be allowed pursuant to this Section for applications
19	received on or after July 1, <del>2025</del> <u>2031</u> .
20	J. Credit caps, structured pay outs, and project size limitations
21	(1) Department of Economic Development program issuance cap.
22	(a) The department shall by rule establish the method of provisionally
23	allocating available tax credits in initial certification letters, and the method for
24	granting tax credits in final tax credit certification letters, including but not limited
25	to a first-come, first-served system, reservation of tax credits for a specific time
26	period, allocate tax credits in initial certification letters on a first-come,
27	first-served system or other method which that the department, in its discretion,
28	may find beneficial to the program.
29	(b) For applications for state-certified productions and qualified

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1	entertainment companies submitted on or after July 1, 2017, the total amount of all
2	tax credits granted in a final certification letter by the department in any fiscal year
3	shall not exceed one hundred fifty million dollars. Twenty percent of the annual
4	program cap shall be reserved as follows: five percent for qualified entertainment
5	companies, five percent for Louisiana screenplay productions, and ten percent for
6	independent film productions. If the total amount of credits granted in any fiscal
7	year is less than the issuance cap, the remaining cap balance shall be available
8	for use in subsequent fiscal years until the remaining balance is granted in final
9	certification letters. If the total amount of credits applied for in any particular year
10	exceeds the aggregate amount of tax credits allowed for that year, the excess shall
11	be treated as having been applied for on the first day of the subsequent year.
12	(c)(i) If the total amount of credits granted to QECs in any fiscal year is less
13	than the QEC cap, any residual amount of unused credits shall carry forward for use
14	in subsequent years and may be granted in addition to the QEC cap for each year.
15	(ii) If the total amount of credits granted in any fiscal year to screenplay
16	productions or independent film productions is less than their respective caps, any
17	residual amount may be available for issuance by the department during that fiscal
18	year as established by rule.
19	(d) The department shall make reasonable efforts to post a listing of
20	estimated amounts available under the cap on its website.
21	* * *
22	(3) Department of Economic Development individual project issuance cap.
23	(a) Project-based production tax credit. For applications for state-certified
24	productions on or after July 1, 2017, the maximum amount of credits that may be
25	granted for a single state-certified production shall not exceed twenty million dollars,
26	except for state-certified productions for scripted episodic content that may be
27	granted up to twenty-five million dollars per season. For applications for
28	state-certified productions on or after July 1, 2021, the maximum amount of
29	credits that may be granted for a single state-certified production shall not

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1	exceed twenty-eight million dollars.
2	* * *
3	Section 2. This Act shall become effective upon signature by the governor or, if not
4	signed by the governor, upon expiration of the time for bills to become law without signature
5	by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
6	vetoed by the governor and subsequently approved by the legislature, this Act shall become
7	effective on the day following such approval.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Leonore Heavey.

#### DIGEST 2021 Regular Session

Hewitt

Present law authorizes a motion picture production base investment tax credit of 25% of production expenditures in this state for productions with a base investment greater than \$300,000 and authorizes an additional base investment credit of 5% for projects filmed outside the New Orleans Metro Zone, as delineated by the federal Office of Management and Budget, but not including St. John the Baptist Parish.

Proposed law retains present law and adds St. Tammany Parish to the parishes inside the New Orleans Metro Zone that qualify for the out-of-zone base investment credit enhancement.

Present law authorizes the expenditure of 75% of the funds in the La. Entertainment Development Fund for education development initiatives, matching grants for Louisiana filmmakers, a loan guarantee program, and a deal closing fund.

Proposed law removes the loan guarantee program and deal closing fund from the permissible uses of the La. Entertainment Development Fund and adds state work force development programs and other motion picture and television related programs as determined by rule by the department.

Present law requires that initial certification submitted by the film office, the investors, and the Department of Revenue provide for a preliminary allocation of tax credits by year.

Proposed law makes the provision of a preliminary allocation of tax credits by year permissive.

Present law provides that no credits shall be authorized for applications received after July 1, 2025.

Proposed law extends the program termination date from July 1, 2025, to July 1, 2031.

Present law authorizes the department to establish the method of provisionally allocating available tax credits by rule.

Proposed law requires the department to allocate tax credits in initial certification letters on a first-come, first-served basis or by any method determined to be beneficial to the program.

Present law provides for a \$150 million credit granting cap per fiscal year and does not allow

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the rollover of excess credit cap in the event that the entire \$150 million is not granted in a fiscal year.

<u>Proposed law</u> allows the rollover of any credit cap in excess of credits granted in a fiscal year to be used in subsequent fiscal years.

<u>Present law</u> provides that the maximum amount of credits that may be granted for a single state-certified production shall not exceed \$20 million, except for state-certified productions for scripted episodic content that may be granted up to \$25 million per season.

<u>Proposed law</u> increases the maximum per production cap to \$28 million regardless of project type.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 47:6007(C)(1)(a)(i)(aa) and (4)(h)(ii) and (iii)(bb), (D)(2)(d)(i), (I), (J)(1), and (3)(a))