LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On:	**HB 445** HLS 21RS 986
Bill Text Version:	**ENGROSSED**
Opp. Chamb. Action:	**w/ SEN COMM AMD**
Proposed Amd.:	
Sub. Bill For.:	

Date: May 10, 2021 5:11 PM		**Author:** BOURRIAQUE
Dept./Agy.: Economic Development / Revenue		
Subject: Sound Recording Tax Credit		**Analyst:** Greg Albrecht

TAX CREDITS EG1 DECREASE GF RV See Note

Changes the sound recording investor tax credit into a refundable tax credit

Current law provides various tax credits for qualified expenditures associated with sound recording productions and qualified music companies (QMC). Credits are nonrefundable with a five-year carry-forward of unused credit amounts. The program as a whole is limited to $2.160 million of credit certification per year, with 50% of certifications reserved for qualified music companies.

Proposed law requires credits for qualified music companies to be transferred to the Dept. of Revenue at 85% of face value, at the time of final certification. Applicable to applications by qualified music companies received on and after July 1, 2021

Effective upon governor's signature.

EXPENDITURES	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**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	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**					**$0**

EXPENDITURE EXPLANATION

The Dept. of Revenue would incur relatively minor costs to modify and test tax processing systems to accommodate the change in the existing credit from nonrefundable to refundable.

REVENUE EXPLANATION

The sound recording tax credit program has been only modestly utilized, and the nonrefundability of the program's credits may have dampened attractiveness of the program. However, the program has a current credit issuance cap of $2,160,000 per year, and LED indicates that it has never had participation sufficient to issue that amount of credit. In addition, credit claims reported by the Dept. of Revenue over the last three years are quite small (FY17 $82,000, FY18 $42,000, and FY19 $15,000). None of these amounts are attributable to QMC participation, although LED indicates that one such firm has been certified into the program and is awaiting completion of payroll audits to receive final credit amount certifications. This participation is under the current law nonrefundable credit provisions of the program. A new application meeting net new job/payroll requirements would be required for this firm to participate under this bill's provisions in the future.

It seems unlikely that requiring credits received by qualifying music companies (QMCs) to be transferred to the Dept of Revenue would fully subscribe the program, at least quickly. In addition, while the program has a $2.160 million annual credit issuance cap, credits for QMCs are limited to 50% of credits certified. Finally, the required transferability of QMC credits is at 85% of face value of the credits, under this bill.

Assuming 50% of the remaining baseline credit cap is received by QMCs, the maximum state exposure increase is roughly $893,000 per year ($2.1M unused credits x 50% x 85%).

The proposed QMC credit provisions of the bill apply to applications received after July 1, 2021. While it might be possible for applicants to be approved and apply for credits covering payroll in the second half of 2021, potentially affecting FY22 net receipts, it seems most likely that the first credit transfers to the state would occur against FY23 tax receipts.

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}
☒ 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}

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