

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 445** HLS 21RS 986

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 15, 2021 10:08 AM	Author: BOURRIAQUE
Dept./Agy.: Economic Development / Revenue	Analyst: Greg Albrecht
Subject: Sound Recording Tax Credit	

TAX CREDITS EN DECREASE GF RV See Note Page 1 of 1
Changes the sound recording investor tax credit into a refundable tax credit

Current law provides various levels of tax credits for qualified expenditures associated with sound recording productions and qualified music companies. Sound recording credits are rebate payments with regard to tax liability while those for qualified music companies are nonrefundable tax credits, up to 50% of the entities tax liability, with a five-year carry-forward for unused credit amounts. Total program credits are capped at \$2.160 million per year.

Proposed law provides for qualified music companies to receive any program credits through rebate payments, as well, for applications received on or 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	<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	2021-22	2022-23	2023-24	2024-25	2025-26	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The Department 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 as a whole has been only modestly utilized. The limited nonrefundable nature of the credit for qualified music companies likely has made the program unusable for these entities. Allowing rebate payments to qualified music companies is likely to allow participation by these entities and increase the state's fiscal exposure. 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). The bill's changes are available to applications received on or after July 1, 2021, and while the first fiscal year of exposure is FY22, it seems unlikely that the bill's changes for qualified music companies would fully subscribe the program, at least quickly. To the extent it increases participation in the program, the maximum increase in exposure to the state fisc is roughly \$2.1 million per year, but the implied amount of payroll necessary to realize that exposure (\$14M - \$21M) suggests that the actual rebate payment realizations are likely to be materially smaller than the maximum exposure.

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}

Christopher A. Keaton
Legislative Fiscal Officer