

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 562** HLS 23RS 391

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 7, 2023	10:43 AM	Author: SCHEXNAYDER
Dept./Agy.: Department of Economic Development		Analyst: Noah O'Dell
Subject: Motion Picture Production Tax Credit		

TAX CREDITS

EN DECREASE GF RV See Note

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Provides relative to the Motion Picture Production Tax Credit

Current law allows the Dept. of Economic Development (LED) to issue \$150 M per year of tax credits in final certification letters for certified productions with a percentage of credits reserved for qualified entertainment companies (5%), Louisiana screenplay productions (5%), and independent film productions (10%). The Dept. of Revenue (LDR) is required to limit film tax credit claims against tax liabilities to \$180 M per year. The program will not accept applications beyond July 1, 2025.

Proposed law retains current law but eliminates the division of tax credits toward specified production types. Proposed law directs LED to create a new graphic for JLCB approval to be placed in all subsidized films. Proposed law mandates certification of federal, state and local tax compliance before a credit is issued, earned, transferred or used against a state income tax liability. Proposed law extends the program application deadline by six years to July 1, 2031. Effective upon signature.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0				\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Economic Development (LED) indicates that the changes to the program proposed by this bill will not require additional resources to administer.

The bill requires certified tax compliance by the motion picture production company, irrevocable designee, tax payer, or claimant before any credit may be certified, transferred, or sold. Because the burden of proof of compliance lies with the applicant, no additional state costs are anticipated.

While the proposed law repeals the requirement under present law for the initial certification letter issued by LED to include a primary allocation of tax credits by year, LED has indicated they intend to continue using the current administrative process. No cost savings are anticipated to arise from the proposed law.

REVENUE EXPLANATION

The current program will not accept applications beyond July 1, 2025, though pipeline projects may potentially claim credits throughout the fiscal note horizon. Proposed law extends the sunset of applications for the program from July 1, 2025, to July 1, 2031, which would decrease state general fund beginning in FY 26 by an unspecified amount as projects become eligible that otherwise would not be.

SGF begins to decrease in FY 26 and subsequent years as new credits are issued and claimed under the extended program. Each year a total of \$180 M in tax credits are redeemable against state income tax. If the total amount of credits applied for in any particular year exceeds the aggregate amount of tax credits allowed for that year, the excess shall be applied toward the subsequent year.

The bill removes the division of tax credits toward specified production types in current law. In the past, these specified production types have limited the number of tax credits LED could issue below the \$150 M cap. The removal of the specified production types allows LED to issue credits to any film-making production type beginning in FY 24, which could increase the amount of credits earned.

Senate
 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}

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