

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 165** SLS 13RS 446

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 8, 2013 1:49 PM	Author: MARTINY
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Motion Picture Investor Credit / Cost Reports	

TAX/TAXATION

EG SEE FISC NOTE See Note

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Requires a qualified cost report prior to issuance of a motion picture investor tax credit. (8/1/13)

The bill requires a production audit report be submitted by each film production project. This report is to be a qualified accountant's audit of the project's production cost expenditures report. The production audit report is to be completed utilizing sampling and verification procedures spelled out in the bill, and is to be in accordance with auditing standards generally accepted in the United States. Maximum time frames are prescribed for LED determinations. Certain related-party transactions are allowed to be eligible for tax credits.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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 bill appears to subject the current cost reports to production audit reports prepared by CPAs based on sampling and verification requirements spelled out in the bill. While this new report is to be prepared in accordance with auditing standards generally accepted in the United States, these reports do not appear to be actual full-scope audits because there are not GAAP-based financial statements being reviewed upon which a CPA can render an audit opinion. However, the bill does require the CPA preparing the production audit report to provide an opinion that the project's cost report presents a fair presentation of the in-state production expenditures of the project. The procedures spelled out in the bill do provide specific procedures with an affirmative responsibility of the CPA to respond. However, the procedures need to be carefully considered and sufficient to afford a proper judgment by the CPA. The LFO can not assure that the procedures spelled out in the bill are sufficient. LED has indicated that codifying specific procedures in law reduces the Department's flexibility in addressing unexpected issues in any particular project.

The bill also imposes maximum time frames for LED to provide an initial certification based on application information (30 days) and a tax credit certification letter based on the production audit report (60 days). Given the volume of projects participating in the program (typically a 100 projects per year and \$700+ million of qualifying expenditures) these time frames may be problematic in terms of LED's ability to perform due diligence without additional resources.

REVENUE EXPLANATION


The bulk of the bill deals with administrative procedures and is not likely to materially change the amount of tax credits issued by the program. However, the bill appears to allow certain related-party transactions to qualify for tax credits that LED may not currently allow. If that is the case, the bill would work to increase the amount of tax credits issued by the program.

Senate

Dual Referral Rules

House

- | | |
|---|--|
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |


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Legislative Fiscal Officer