

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 358** HLS 13RS 1006
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

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Dept./Agy.: Economic Development/Revenue	Analyst: Deborah Vivien
Subject: Sound Recording Tax Credit	

TAX CREDITS RE DECREASE GF RV See Note Page 1 of 1
 Removes the Jan. 1, 2015, sunset date for issuance of sound recording investor tax credits and provides a threshold for Louisiana residents

Current law allows a refundable income tax credit paid in the manner of a rebate of 25% of any investment over \$15,000 in certified production and infrastructure projects related to sound recording. The program cost is capped at \$3 M per year. The credit expires January 1, 2015.

Proposed law extends the credit by five years to January 1, 2020 and lowers the credit threshold for Louisiana residents from \$15,000 to \$5,000.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	2013-14	2014-15	2015-16	2016-17	2017-18	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.

REVENUE EXPLANATION

The bill lowers the threshold at which the 25% investment credit can be attained to \$5,000 for LA residents. Currently, the threshold is \$15,000 for all investors. Program participants are currently allowed to bundle investments to reach the threshold. This bill allows a smaller bundle for those residing in LA to receive the credit, which may attract more investors as a 25% rebate that would now be available to a much smaller investment. The bill does not specify how a LA resident will be determined or any certain measures to insure that non-residents cannot co-mingle investments to avoid the higher threshold applicable to them.

This bill will also extend the program to 1/1/20, which now expires on 1/1/15. The program has been available since 2006 but has never reached the cost cap. In FY 11, the program cost was about \$1.1 M and in FY 12 about \$200,000. Total exposure of \$3 M per year in SGF will be extended through tax year 2019 to impact through FY 20. However, based on historical participation, the annual cost will not reach this level, unless lowering the threshold for LA residents leads to a significantly higher participation rate.

This fiscal note has been revised to correct an error in the revenue table above. Previous fiscal note releases indicated an increase in state general fund revenue would be expected in FY16 - FY18. This was incorrect. Under current law, the program would expire during FY15, making it likely that less credits would be issued and realized against state revenue collections in FY16 and beyond. Thus, the current law baseline expectation is greater net state revenue collections in those years. This bill will extend the program through those years (through 2019) and makes it more likely that more of the program's \$3 million per year credit cap is utilized (by lowering the project spending eligibility threshold for resident participants). This is reflected in less net state revenue collections than would be the case under current law; reflected in the table above as a decrease in state general fund revenue for FY16 - FY18.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<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 checked="" 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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