



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 829** HLS 15RS 170
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 29, 2015 2:26 PM	Author: ROBIDEAUX
Dept./Agy.: Economic Development / Revenue	Analyst: Greg Albrecht
Subject: Modifies Film Tax Credit Program	

TAX CREDITS EG SEE FISC NOTE GF RV See Note Page 1 of 1
 Provides relative to the motion picture investor tax credit

Current law provides a nonrefundable but transferable tax credit for expenditures made by eligible motion-picture production companies (for a minimum \$300,000 project a 30% credit & 35% on resident payroll). The credit can also be directly redeemed from the state at a rate of 85%. Credits can not be claimed against tax or transferred or redeemed until expenditures are certified by the Dept. of Economic Development (LED). Proposed law makes various changes to the program's definitions and parameters that, on balance, are likely to expand the program: expands the type of projects qualifying as a motion picture, eliminating the \$1 million cap on a resident individual's salary generating tax credit, allowing a limited amount of marketing and promotion expenses to generate tax credits, loosening the definition of a resident, allowing a slate of productions to qualify, lowering the project size to \$50,000 for the 30% credit under certain conditions of residency, adding 15% more credit for resident screenplays and music content, and increasing the state buyback rate to 90%. Proposed law then provides a program cap of \$226.4 million of certified credits per year, and a \$30 million per project cap. Effective July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$68,500	\$137,000	\$137,000	\$137,000	\$137,000	\$616,500
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	\$68,500	\$137,000	\$137,000	\$137,000	\$137,000	\$616,500

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

LED reports only two full-time staff administer the current program. While the certification cap may result in less participation by certain types of projects, the bill appears to intend to encourage greater participation by allowing smaller projects and slates of projects to qualify. The bill also creates new eligible expenditures and conditions that will have to be administered by LED. Additional resources are likely to be necessary. At least one additional position seems necessary at first (\$68,500 per year salary & benefits), and possibly two positions if net participation growth occurs (\$137,000 per year).


REVENUE EXPLANATION

LED reports that it is likely that it could certify as much as \$250 million of credits in FY16 and each subsequent year, based on the current pace of certifications. Thus, it seems likely that there will be more claims for credit certification than the \$226.4 million annual allotment established by this bill (the amount of credits certified in 2014). Any excess of claims will consume a portion of the allotment for the subsequent fiscal year, leaving any balance available for new claims. Assuming comparable levels of program activity occur in the future, it is likely that there will be excess claims in future years that are pushed into subsequent years for certification, effectively delaying certification for some portion each year's claims.

While realizations of certified credits (claims offsetting tax liabilities and direct buyback payments) are not limited by the bill, and could exceed \$226.4 million in any particular year, it is expected that over time the dollar amount of annual credit realizations will converge toward the annual certification allotment of \$226.4 million per year. This is likely to result in some savings to the state fisc in some years since there has been one fiscal year when realizations exceeded \$226.4 million (\$258M FY14), and LED indicates a current high pace of certifications, that will eventually become realizations.

The bill appears to attempt to limit the state's annual cost exposure to the program while reallocating the limited amount of credit certification to projects with more resident content and participation. Any change in the composition of program participation does not, by itself, effect the overall cost of the program. There is the possibility, though, that the bill will reduce participation in the program since the unlimited annual credit certifications will no longer be available, making it uncertain as to whether any particular project will fully receive its credits without the delay that an annual allotment can cause. The degree of possible program contraction is itself uncertain, and could ultimately result in annual total credit realizations being materially less than what the \$226.4 million credit certification limitation would result in.

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| Senate | <u>Dual Referral Rules</u> | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & 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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