

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 100** SLS 15RS 58

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 8, 2015	2:51 PM	<b>Author:</b> MORRELL
<b>Dept./Agy.:</b> Economic Development		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Film program audit disclosure and requirements		

**TAX/TAXATION**

EG INCREASE GF RV See Note

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Requires sworn affidavits of those submitting information for the creation of production audit reports for motion picture investor tax credits, regulates and limits production expenditures between related parties, and subjects related party Current law provides a transferable income tax credit for 30% of qualified expenditures related to motion picture production with an additional 5% for payroll of Louisiana residents. Claiming the credit requires submission of an audit report of qualified expenditures for the motion picture tax credits by a certified accountant chosen by the applicant. Proposed law requires LED to engage a CPA or independent tax attorney for expenditure verification and LETA for related party transaction expense verification with applicant responsible for fees. Specific related party transaction information is required. Above-the-line and below-the-line expenditures must be specified and follow stipulated valuation methods. Above the line expenditures in related party transactions are limited to 12% of Louisiana production costs. The person supplying the expenditure information must provide a sworn affidavit to the accuracy of the documentation, subject to charges of perjury. The Office of Entertainment Industry Development will promulgate rules, including reasonable fees. The Office of Inspector General will review any related party transactions. Effective for projects pre-certified on or after December 31, 2015.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
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Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
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Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The requirements of the bill will not substantially change the necessary resources for evaluation of projects beyond that of current practice. The Office of Inspector General may experience an increased caseload in reviewing all third party transactions which could delay other activities of the office.

Louisiana Educational Television Authority (LETA) may experience a larger workload which could require additional resources if the number of related party transactions increases substantially.

**REVENUE EXPLANATION**

The bill serves to further document and hold accountable those filing the production expenditure reports upon which the tax credit is based. These provision do not directly change the amount or availability of the credit but may deter some fraudulent activity that cannot be forecast.

Limiting above-the-line (ATL) expenditures in related party transactions to 12% of LA production costs could limit the availability of the film credit to the extent that productions are now exceeding this amount. Dr. Loren Scott's 2015 report indicates that ATL spending is about 27% of LA production expenditures, so presumably related party transactions account for a portion of ATL spending. It is unknown how much of these expenditures are above the threshold of this bill and whether that level would continue to occur after these changes. However, any increase in net state tax receipts will be delayed as new projects are required to submit actual audited expenditures after pre-certification of credits and the bill is effective for projects pre-certified on or after December 31, 2015, halfway through FY 16. Any impact is expected to begin slowly and increase annually as new projects are subject to the provisions in the bill.

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|---|----------------------------|--------------|--|
| <u>Senate</u>   | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input 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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