

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



Fiscal Note On: **HB 798** HLS 15RS 1549  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 28, 2015 3:02 PM	<b>Author:</b> PONTI
<b>Dept./Agy.:</b> Economic Development	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Limits the additional 5% LA resident payroll credit for film	

TAX CREDITS EG DECREASE GF RV See Note Page 1 of 1  
 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). Any salary for a LA resident in excess of \$1M does not qualify for the credit.

Proposed law provides that those productions with an office based greater than 40 miles from New Orleans City Hall and that film more than 50% of their production days in the state beyond a forty mile radius of New Orleans City Hall shall be allowed an additional 5% tax credit on all base expenditures other than non-resident payroll. Effective with productions approved on or after July 1, 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.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
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>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</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>
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	<b>\$0</b>
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>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

The bill expands the credit costs of the program by allowing an additional 5% credit for all expenditures (other than non-resident payroll) made by productions based outside the New Orleans production center and that film more than 50% of production days outside the New Orleans production center. Affected expenditures will very likely exceed half of the total expenditures of eligible productions. LED estimates roughly \$75 million of production spending outside the New Orleans production center during FY14. Specific data on nonresident payroll is not readily available, but if as much as 50% of these productions were nonresident payroll there would still be \$37.5 million of expenditures eligible for the additional 5% credit of this bill, generating a minimum of \$1.875 million of additional program credit costs.

This discussion is illustrative only, but works to confirm the cost expansion effect of the bill. The distribution of activity varies each year, but the bill provides a material incentive to base and produce outside the New Orleans production center and will result in greater program costs to the state fisc.

Since the bill is effective for productions approved on or after July 1, 2015, and it can take one to two years for productions to work completely through the program, FY17 is the earliest that the bill's changes are likely to affect net state revenue.

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| Senate   | <u>Dual Referral Rules</u> | House | <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 checked="" type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & 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} |

**John D. Carpenter**  
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