

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 2, 2015 3:45 PM	Author: MORRELL
Dept./Agy.: Economic Development	Analyst: Deborah Vivien
Subject: Film program audit disclosure and requirements	

TAX/TAXATION

OR INCREASE GF RV See Note

Page 1 of 1

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.

Proposed law requires additional reporting and accounting for related party transactions in the audit. Above-the-line and below-the-line expenditures must be specified and follow stipulated valuation methods. The person supplying the expenditure information to the auditor must provide a sworn affidavit to the accuracy of the documentation, subject to charges of perjury. Above the line expenditures in related party transactions are limited to 12% of Louisiana production costs. The Office of Entertainment Industry Development will promulgate rules, including reasonable fees. The Office of Inspector General will review any third party transactions for compliance. Effective for projects certified on or after July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

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.

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, assuming the bill is effective with pre-certification of credits. It will occur sooner, beginning in FY 16, if the bill is effective with final certification of credits, though this impact would not have been contemplated in the pre-certification calculation.

<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}	 Gregory V. Albrecht Chief Economist
<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}		