
DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 604 Engrossed

2015 Regular Session

Stokes

Abstract: Requires a verification of expenditures by an independent CPA or tax attorney before certification of expenditures for purposes of receiving the entertainment industry tax credits and the research and development tax credit, all administered by the Dept. of Economic Development.

General Provisions

Present law establishes the following four tax credit programs for the entertainment industry, and the research and development tax credit, all of which provide for tax credits based on expenditures which are eligible for "certification" by the Dept. of Economic Development ("DED"). The amount of the tax credit is derived from the amount of eligible expenditures.

- (1) Motion picture investor tax credit program, R.S. 47:6007.
- (2) Digital interactive media and software tax credit program, R.S. 47:6022.
- (3) Sound recording investor tax credit program, R.S. 47:6023.
- (4) Musical and theatrical production income tax credit program, R.S. 47:6034.
- (5) Research and development tax credit program, R.S. 47:6015.

Present law requires that cost reports of expenditures be submitted to DED for consideration for the granting of tax credits based on "certification" of the expenditures as eligible for the tax credit.

Proposed law changes present law by requiring the preparation and submission of a verification report prepared by a CPA who is engaged and assigned by DED to provide independent verification of the cost reports of expenditures submitted by a production company or a business seeking for purposes of certification of tax credits.

Proposed law establishes certain requirements for a CPA engaged by DED, including licensing and continuing education.

Proposed law authorizes DED to impose and collect a verification report fee to reflect the actual cost of the report. The amount of the fee shall be established by rule promulgated in accordance with the Administrative Procedure Act, it shall not exceed \$25,000, and shall be based upon either an hourly rate not to exceed \$250 per hour for contract services, or the pro rata cost of salary and benefits for

an internal CPA.

Proposed law requires that an applicant seeking certification of expenditures for tax credits shall be responsible for and assessed the fee, and further requires an up-front deposit of the fee, not to exceed \$15,000.

Proposed law requires that an applicant seeking tax credits make all records related to the tax credit application available to the CPA or tax attorney assigned by the department to prepare and submit to the department the verification report on the applicant's cost report of expenditures.

Proposed law defines "verification report" as any agreed upon procedure, tax opinion, attestation, or other report required by statute or department rule. Further, prior to submission to DED, a verification report shall require two levels of review either within a CPA firm or through a cooperative endeavor with another CPA.

Proposed law provides that only those expenditures which are confirmed verified within the verification report shall be eligible for certification for tax credit purposes.

Proposed law provides, for purposes of the motion picture investor tax credit and the digital interactive media and software tax credit program, the following amounts required for the deposit and maximum fee for a verification report as follows:

- (1) A deposit of \$7,500 and a maximum report fee of \$15,000 for verification of a cost report reflecting qualified production expenditures between \$300,000 and \$25,000,000.
- (2) A deposit of \$15,000 and a maximum report fee of \$25,000 fee for verification of a cost report reflecting qualified production expenditures in excess of \$25,000,000.

Proposed law provides, for purposes of the sound recording investor tax credit program and the musical and theatrical production income tax credit program, the following amounts required for the deposit and maximum fee for a verification report as follows:

- (1) A deposit of \$2,500 and a maximum report fee of \$5,000 for verification of a cost report reflecting qualified production expenditures between \$5,000 and \$50,000.
- (2) A deposit of \$5,000 and a maximum report fee of \$15,000 fee for verification of a cost report reflecting qualified production expenditures in excess of \$50,000.

Proposed law provides, for purposes of the research and development tax credit program, the following amounts required for the deposit and maximum fee for a verification report as follows:

- (1) A deposit of \$7,500 and a maximum report fee of \$15,000 for verification of a cost report reflecting qualified production expenditures of up to \$1,000,000.

- (2) A deposit of \$15,000 and a maximum report fee of \$25,000 fee for verification of a cost report reflecting qualified production expenditures in excess of \$1,000,000.

Provisions of this Act shall be applicable for all projects and productions receiving initial certification on or after December 31, 2015.

(Amends R.S. 47:6007(B)(9)-(11), (D)(2)(c)-(e), 6015(B)(3)(i)(i), (4), and (5)(intro. para.) and (F)(5), 6022(C)(10)(b)(vii), (F)(2), (3)(b) and (c), 6023(B)(1), (D)(2)(c) and (d), (4), and (5), and 6034(B)(4) and (7)(b), and (E)(1)(e) and (f); Adds R.S. 36:104(B)(9) and 104.1, R.S. 47:6007(C)(1)(e) and (D)(2)(f)(intro. para.), 6015(B)(6), 6023(D)(2)(e), and 6034(E)(2)(c))