LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: June 15, 2015 2:07 PM
Author: ROBIDEAUX
Dept./Agy.: Economic Development / Revenue
Subject: Modifies Film Tax Credit Program
Analyst: Greg Albrecht

TAX CREDITS EN +$77,000,000 GF RV See Note
Provides relative to the motion picture investor tax credit

Present 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%. Proposed law defines or redefines "above the line services", "Louisiana resident company", "marketing and promotion expenses", "principal place of business", "motion picture", "payroll", "production expenditures", "resident", and "slate of productions". Lowers the project spending threshold to $50,000 from $300,000, and provides additional 15% tax credits for resident owned screenplay or sound recording copyrights. During FY16 - FY18, single projects are limited to no more than $30 million of credit, and allows a two or more year structure to those credits. In general, the bill appears to attempt to direct more of the program benefits to smaller productions with more resident participation. Claims or transfers against state tax are capped at $180 million each year for FY16, FY17, and FY18 on a first-come, first-served basis. Excess amounts become first in line for the subsequent fiscal year. If less that $180 million is claimed/transferred in a year, the unused balance is added to the next year's cap. No transfers to the state are accepted during FY16. 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.	$77,000,000	$70,000,000	$70,000,000	SEE BELOW	SEE BELOW	**$217,000,000**
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	**$77,000,000**	**$70,000,000**	**$70,000,000**			**$217,000,000**

EXPENDITURE EXPLANATION

LED reports only two full-time staff administer the current program. While the credit/transfer cap may result in less participation by certain types of projects, the bill appears to encourage greater participation by allowing smaller projects and slates of projects to quality. 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 has certified $284 million of credits in FY15 to date. With annual variation, the average for the last four years has been $271 million; well above the $180 million cap provided by the bill, and LED indicates a current high pace of certifications that will eventually become realizations. In addition, there have been two recent fiscal years when realizations exceeded $180 million; $215M in FY12 and $258M in FY14. Thus, it seems likely that there is a baseline of activity, both certified by LED and realized against state revenues that is well in excess of the $180 million fiscal year cap of credit claims and transfers to the state provided by the bill for FY16 - FY18.

Based on a current expectation of at least $250 million of claims in FY16, the cap on claims/transfers will result in program cost savings in FY16 of at least $70 million. Should claims continue into the future at the recent pace, comparable amounts of cost savings should occur in FY17 and FY18. By prohibiting the acceptance of transfers to the state during FY16, an additional $7 million of revenue gain may be achieved in FY16, as the baseline of claims seems likely to exceed $250 million.

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 so long as program dollar caps are in place. There is the possibility that the bill will reduce participation in the program since the unlimited annual credit certifications and realizations will not be available in FY16 - FY18, making it uncertain as to whether any particular project will fully realize its benefits without delay. The degree of possible program contraction is uncertain, and could ultimately result in annual total credit certifications and realizations being materially less than what the $180 million credit/transfer limitation would result in. Should that occur, annual revenue gains would be greater than estimated here.

On the other hand, the bill caps annual credit/transfer realizations for only the next three fiscal years. Should production activity continue in the state unaffected by the bill's temporary caps, substantial exposure to the state fisc could build up and be realized in FY19 and FY20. Revenue losses significantly larger than the baseline expectation could occur in the years after expiration of the bill's program realization cap.

Senate — Dual Referral Rules — House

[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

[ ] 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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