

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

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Dept./Agy.: Economic Development	Analyst: Deborah Vivien
Subject: Film program audit disclosure and requirements	

TAX/TAXATION

EN SEE FISC NOTE GF RV

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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 for expenditure verification with applicant responsible for fees. The report requires 2 levels of internal review or review by a second CPA. 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 (defined in the bill) 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. Finance fees, interest or payments with financial reward based upon sales are not allowed unless paid to a LA insurer or financial institution. The Office of Entertainment Industry Development will promulgate rules, including establishing reasonable fees. Related party transactions may be referred to the Office of Inspector General by OEID for further review. Contingent upon declared tax increase offset. Effective for projects pre-certified on or after December 31, 2015. Contingent upon written acknowledgment of 2015 offset.

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 should not substantially change the necessary resources for evaluation of projects beyond that of current practice.

REVENUE EXPLANATION

The bill requires further documentation and accountability of those filing production expenditure reports upon which the program's 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. 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, after FY16, and increase annually as new projects are subject to the provisions in the bill.

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| <input type="checkbox"/> Senate | <input type="checkbox"/> <u>Dual Referral Rules</u> | <input type="checkbox"/> 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 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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