

## RÉSUMÉ DIGEST

ACT 275 (HB 646)

2017 Regular Session

Leger

Existing law provides for a state income tax credit for investments made in state-certified productions and state-certified sound recording infrastructure projects. The tax credit shall be earned by investors at the time expenditures are certified by the Dept. of Economic Development (DED) according to the total base investment certified for the sound recording production company per calendar year.

Existing law provides that the amount of the credit for each investor for state-certified productions certified on and after July 1, 2015, and state-certified infrastructure projects which have been applied on or after July 1, 2015, is 18% of the base investment made by that investor in excess of \$15,000 or, if a resident of this state, in excess of \$5,000.

Prior law provided for the tax credit program to sunset on Jan. 1, 2020.

New law extends the program from Jan. 1, 2020, to July 1, 2021.

Existing law defines "base investment" as the actual investment made and expended in the state by a state-certified production as production-related costs.

Prior law defined "base investment" as capital costs of a state-certified sound recording infrastructure project.

New law deletes references to state-certified sound recording infrastructure projects and adds payroll expenditures from qualified music companies, hereinafter "QMCs", approved by the office and the secretary on or after July 1, 2017, to the definition of "base investment".

New law defines a "QMC" as an entity authorized to do business in La., engaged directly or indirectly in the production, distribution and promotion of music, certified by the secretary as meeting the eligibility requirements of existing law and new law, and executing a contract providing the terms and conditions for its participation.

New law provides for a project-based production credit for applications for state-certified productions received on or after July 1, 2017, for each investor equal to 18% of the base investment made by that investor in excess of \$25,000. However, if the investor applying for the tax credit is a La. resident, the 18% tax credit shall be allowed on base investments which exceed \$10,000.

New law provides for a company-based QMC payroll credit for applications for QMCs received on or after July 1, 2017, to the extent that base investment is expended on payroll for La. residents in connection with a QMC. The amount of the tax credits varies as follows:

- (1) Tier 1 - A payroll credit of 10% for each new job whose QMC payroll is equal to or greater than \$35,000 per year, up to \$66,000 per year.
- (2) Tier 2 - A payroll credit of 15% for each new job whose QMC payroll is equal to or greater than \$66,000 per year, but no greater than \$200,000 per year.

Existing law prohibits the credits associated with a state-certified production from exceeding the total base investment in that production.

Prior law prohibited the credits associated with a state-certified production from exceeding the total base investment in the sound recording infrastructure project.

New law deletes all references to sound recording infrastructure projects in existing law.

Existing law restricts the aggregate amount of credits certified for all investors during any calendar year from exceeding \$2,160,000.

New law requires 50% of the annual cap to be reserved for QMCs and limits the maximum amount of \$100,000 in tax credits may be granted per project, per calendar year.

New law provides for eligibility requirements for applicants applying for the company based QMC payroll credit.

New law prohibits a credit earned and claimed against an investor's income tax liability from reducing the investor's income tax liability below 50% of the amount of the liability prior to application of the credit. Further authorizes excess amounts of the credit to be carried forward for up to five years against the subsequent income tax liability of the taxpayer.

Existing law requires DED to directly engage and assign a certified public accountant to prepare an expenditure verification report on a sound recording production company's cost report of expenditures.

Prior law required applicants to be assessed the department's actual cost for the expenditure verification report fee. The maximum amount of the fee for the report was \$5,000 for verification of expenditures of between \$5,000 and \$50,000, and a maximum fee of \$15,000 for verification of expenditures in excess of \$50,000.

New law changes the amount of the expenditure verification report fee to the following:

- (1) \$1,500 for verification of cost expenditures of at least \$10,000 but less than \$25,000.
- (2) \$3,000 for verification of cost expenditures of at least \$25,000, but less than \$50,000.
- (3) \$5,000 for verification of cost expenditures of at least \$50,000, but less than \$100,000.
- (4) \$7,500 for verification of cost expenditures of more than \$100,000.

Prior law required an applicant to also submit a deposit fee of \$2,500 for productions or projects with qualified expenditures projected to be between \$5,000 and \$50,000 and a deposit of \$5,000 for productions or projects projected to be in excess of \$50,000.

New law reduces the amount of the deposit to 50% of the amount of the fee required for the verification of a cost report.

Existing law requires the Dept. of Economic Development to submit a tax credit certification letter to the Dept. of Revenue on behalf of the investor who earned the sound recording tax credits.

New law limits the tax credit certification letter to project based tax credits.

Prior law required, beginning on Jan. 1, 2016, the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs to review the credit to determine if the economic benefit provided by the credit outweighed the loss of revenue realized by the state as a result of awarding the credit. Further required the committees to make recommendations no later than March 1, 2017, to either continue the credit or to terminate the credit.

New law repeals prior law.

Existing law provides that until June 30, 2018, state-certified productions are eligible for a tax credit equal to 18% of the base investment in excess of \$15,000. Further provides that the total aggregate amount of credits certified for all investors each calendar year shall not exceed \$2,160,000. Prior law provided that beginning July 1, 2018, the amount of the credit increased from 18% of the base investment to 25% of the base investment and the total aggregate amount of credits that may be certified each calendar year increased from \$2,160,000 to \$3M.

New law makes the reductions in the amount of the tax credit to 18% of the base investment and limiting the total aggregate amount of credits that may be certified each calendar year to \$2,160,000 permanent.

Effective August 1, 2017.

(Amends R.S. 47:6023(A)(intro. para.), (1)(b), (B), (C)(1)(intro. para.) and (b), and (3)(intro. para.) as amended by Acts 2015, No. 125, §2, (D)(1)(intro. para.), (2)(c), (d), and (e), and (4), (E), and (I); Adds R.S. 47:6023(C)(1)(c) and (d), (4), and (5); Repeals R.S. 47:6023(A)(2), (C)(1)(intro.para.) as amended by Acts 2015, No. 125, §5, and (C)(3)(intro.para.) as amended by Acts 2015, No. 125, §5)