LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 277** SLS 09RS 550
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 17, 2009 5:07 PM
Author: DUPLESSIS
Dept./Agy.: Economic Development
Subject: Digital Interactive Media Tax Credit
Analyst: Greg Albrecht

TAX/TAXATION OR DECREASE GF RV See Note
Provides relative to the digital interactive media tax credit. (7/1/09)

Current law provides transferrable income tax credits for state-certified digital interactive media project expenditures from a schedule of credit rates: 20% in the first & second year after certification, 15% in the third & fourth years, and 10% in the fifth & sixth years. Recipients of credits must commit to continue business operations in the state at a defined minimal level for at least one year after generating credits. Projects must be certified prior to January 1, 2010.

Proposed law eliminates the schedule of credit rates for project applications submitted on or after July 1, 2009, and replaces those credit rates with a single rate of 25% of expenditures plus an additional 10% for LA resident payroll expenditures (35% total credit for resident payroll). Changes and additions to various program definitions are made. The requirement to commit to business operations in the state, and the expiration of the program are both eliminated.

EXPENDITURES	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**5 -YEAR TOTAL**
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

The Department of Economic Development indicates the need for three additional staff positions (more than $200,000 of additional administrative expense) to process an increased volume of applications for the program resulting from this bill's changes. Should dramatic increases in applications result, then is likely that LED would need additional resources. However, it is not clear what level of additional program application may occur, and consequently what level of additional resources are actually necessary. The Department of Revenue would incur one-time costs of several thousand dollars of programming and staff time to modify its systems to incorporate changing the program from a multi-year credit to a "single" credit.

REVENUE EXPLANATION

According to the Department of Economic Development (LED), the bill expands eligibility for the program and could grant credits to firms already in the state or already engaging in the activities newly defined in the bill. This perspective seems reinforced by the elimination of the schedule of tax credit rates that contemplated multi-year development projects participating in the program. A single credit rate for all eligible expenditures seems to target smaller and faster development projects, and would likely involve a large number of participating firms/projects. In addition, the new single credit rate of 25% is greater than the highest rate in the current schedule of credits rates, and an additional credit of 10% on resident payroll is also added. All of these changes work to increase the state's revenue loss exposure from the program.

The current program is still in its infancy with limited data reflecting actual program usage. Current statistics from LED report 22 applications for the program with proposed expenditures totaling over $90 million (including over $43 million of resident payroll, 48% of total spending). However, only four audit reports have been received reporting $3.1 million of expenditures over three years and $579,000 of tax credits awarded. The Department of Revenue reports $179,000 of tax credits claimed over three years, as well. For illustration purposes, were these four credit awards made at the 25% & 35% rates proposed by this bill, an additional $341,000 of tax credits would have been granted (58.9% more tax credit than under current law).

Senate — Dual Referral Rules
- [ ] 13.5.1 >= $500,000 Annual Fiscal Cost
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change

House
- [ ] 6.8(F) >= $500,000 Annual Fiscal Cost
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

H. Gordon Monk
Legislative Fiscal Officer