

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 123** SLS 09RS 527
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 8, 2009 3:55 PM	Author: MICHOT
Dept./Agy.: Economic Development / Revenue	Analyst: Greg Albrecht
Subject: Sound Recording Tax Credit	

TAX/TAXATION RE -\$3,000,000 GF RV See Note Page 1 of 1
 Provides for sound recording investor tax credits and to continue the tax credits after January 1, 2010. (gov sig)

The bill makes various changes to the Sound Recording Investor Tax Credit Program language, many of which appear to be technical in nature and not substantive to the program, although the definition of spending in the state may be more restrictive. Availability of the existing credit (25% of expenditures) sunsets January 1, 2010. Proposed law make the credit permanent. The existing credit rate of 25% and annual program credit issuance cap of \$3 million is retained, but infrastructure projects must have applied for the program by August 1, 2009. The existing credit is refundable. Proposed law changes this feature to essentially a rebate and allows the Department of Economic Development, after final certification, to submit the rebate amount to the Department of Revenue on behalf of the program investor. A state logo or brand may be required for receipt of certification for the rebates.

EXPENDITURES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
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	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$12,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	(\$12,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The Sound Recording Program is still in its early stages, and data available to date is not likely to provide a complete picture of what its future performance is likely to be. The Department of Economic Development (DED) indicates that applications for 2008 and 2009 projects (so far) report investment of \$7.7 million with associated tax credits of \$1.9 million. Current law allows for \$3 million of credits to be issued annually through January 1, 2010. According to the Department of Revenue (LDR), credits actually realized against tax liabilities for FY07 and FY08 combined were \$971,000. Based on this data, and the fact that the bill will allow infrastructure projects to be applied for only through August 1, 2009, it would seem that extension of the program would not necessarily exhaust the annual program credit cap.

However, the bill changes the program benefit from a refundable tax credit to a direct payment from total current collections where LED would file the appropriate documentation with LDR on behalf of the sound recording investor. This may expedite the flow of benefits to investors, and DED indicates that it expects to be able to allocate the annual maximum of credits (\$3 million) in the first 6 months of each calendar year. Payments to investors would be expected to be made by LDR fairly quickly after their expenditures are certified by DED. Thus, annual credit realizations (benefit payments) should approximate annual benefit issuance as the program progresses.

Since current law already allows credit issuance through this calendar year, impacts in FY10 from this bill's program changes are not expected to be material.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

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

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