



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 829** HLS 15RS 170
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 6, 2015 5:46 PM	Author: ROBIDEAUX
Dept./Agy.: Economic Development / Revenue	Analyst: Greg Albrecht
Subject: Modifies Film Tax Credit Program	

TAX CREDITS REF +\$70,000,000 GF RV See Note Page 1 of 1
 Provides relative to the motion picture investor tax credit

Current 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%. Credits can not be claimed against tax or transferred or redeemed until expenditures are certified by the Dept. of Economic Development (LED). Proposed law makes various changes to the program's definitions and parameters that generally direct more of the benefits of the program to smaller productions and productions with more resident participation. The program is also capped at \$180 million per year of credits certified by Economic Development and \$180 million per year of credits allowed to be realized by the Revenue Department, beginning with FY16. Excess amounts become first in line for the caps in the subsequent year. Effective July 1, 2015.

In addition, the SAVE credit against higher education costs is also included in the bill.

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.	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$350,000,000
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	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$350,000,000

EXPENDITURE EXPLANATION

LED reports only two full-time staff administer the current program. While the certification cap may result in less participation by certain types of projects, the bill appears to intend to encourage greater participation by allowing smaller projects and slates of projects to qualify. 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. It seems likely that there will be more claims for credit certification than the \$180 million annual allotment established by this bill. Any excess of claims will consume a portion of the allotment for the subsequent fiscal year, leaving any balance available for new claims. Assuming comparable levels of program activity occur in the future, it is likely that there will be excess claims in future years that are pushed into subsequent years for certification, effectively delaying certification for some portion each year's claims. Absent other changes to the program, over time, it is reasonable to expect the dollar amount of annual credit realizations to converge toward the annual certification allotment of \$180 million per year. This is likely to result in some savings to the state fisc in some years, starting one to two years from now, since there have been two recent fiscal years when realizations exceeded \$180 million (\$215M in FY12 and \$258M in FY14), and LED indicates a current high pace of certifications that will eventually become realizations.

The bill also limits realizations of credits (claims offsetting tax liabilities and direct buyback payments) to \$180 million per year, beginning with FY16. Based on a current expectation of some \$250 million of claims in FY16, this will result in program cost savings in FY16 of some \$70 million. Should claims continue into the future at the recent pace, comparable amounts of cost savings should occur in subsequent years.

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, though, that the bill will reduce participation in the program since the unlimited annual credit certifications and realizations will no longer be available, making it uncertain as to whether any particular project will fully receive its credits without the delay that annual program caps can cause. 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 limitations would result in. Should that occur, annual revenue gains would be greater than estimated here.

The SAVE credit provisions have no fiscal effect and are discussed in the fiscal note for SB 284 of this session.

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| Senate | <u>Dual Referral Rules</u> | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" 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} |

John D. Carpenter
Legislative Fiscal Officer