

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 331** HLS 19RS 245
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|-------------------------------|
| Date: June 11, 2019 4:25 PM | Author: LEGER |
| Dept./Agy.: Economic Development | |
| Subject: Sound Recording Tax Credit | Analyst: Greg Albrecht |

TAX CREDITS EN NO IMPACT GF RV See Note Page 1 of 1

Changes the sound recording investment credit to a refundable tax credit and authorizes an additional base investment tax credit for resident copyrighted sound recordings
Present law provides tax credits for music industry related companies payrolls of 10% for jobs paying \$35,000 - \$66,000 per year, and 15% for jobs paying \$66,000 - \$200,000 per year. Credits are nonrefundable, but with a five-year carry-forward allowed. These credits are granted within the total program annual credit cap of \$2,160,000. No credits shall be allowed for applications received on or after July 1, 2021.

Proposed law provides an additional 10% credit for sound recording production of a resident copyright. Eligibility based on specific named types of businesses is removed, while applications for Qualified Music Companies who have submitted applications but have not received final certification by July 1, 2019 are made eligible. The availability of credits is extended five years to July 1, 2026.
 Effective upon governor's signature.

| EXPENDITURES | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</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>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</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 |

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The extension of the program will allow baseline program costs beyond the current life of the program. While the annual program maximum of credits that can be awarded by LED is retained at \$2.160 million, the program has never awarded the maximum allowed amount of annual credit, nor have credit realizations against tax liabilities achieved that level. While credit awards and claims against tax have been higher in earlier years (typically \$225,000 awards, \$300,000 claims), in the last two years both awards and claims have been significantly lower (\$50,000 awards, \$60,000 claims). Continuation of the program may allow this baseline of credit costs to continue beyond what would occur under the current law expiration, but since current program credits are allowed for applications received up to July 1, 2021, some program credit costs will likely occur over the fiscal note horizon that can not be attributed to this bill.

The bill generalizes the types of music related businesses that may participate in the program, and provides an additional 10% credit for productions based on copyrights held by Louisiana residents. However, credits remain nonrefundable (with a five-year carry-forward), requiring an annual tax liability in order to be utilized. Testimony in both House and Senate committees indicated that program participants have not been able to utilize nonrefundable credits due to inadequate tax liabilities. Thus, it seems unlikely that these provisions of the bill would result in material additional credit costs.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
 Legislative Fiscal Officer