LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 341** HLS 25RS 543

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 7, 2025 1:00 PM

Author: MCCORMICK

Dept./Agy.: Dept of Revenue / Louisiana Economic Development

Subject: Reduces PIT and Repeals the Motion Picture Tax Credit

Analyst: Noah O'Dell

TAX/INCOME TAX OR -$310,300,000 GF RV See Note

Repeals the motion picture production tax credit and reduces the individual income tax rate

Current law provides for a tax rate of 3% to be paid on taxable income of individuals' net income. Current law allows the Louisiana Economic Development (LED) to issue $125M per year of tax credits in final certification letters for certified productions, including a payroll tax credit for qualified entertainment companies. The Dept. of Revenue (LDR) is required to limit film tax credits claimed to $125M per year. The program will not accept applications beyond July 1, 2031. LED is authorized to collect fees on applications. LED and LDR collect 2% value of credit buybacks as SGR.

Proposed law reduces the individual tax rate to 2.75% of individuals net income beginning in tax year 2027. Proposed law prohibits entrance into the Motion Picture Tax Credit by ending the acceptance of applications on July 1, 2025. Proposed law otherwise retains current law. Effective upon signature of the governor.

EXPENDITURES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	**DECREASE**	**$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**

REVENUES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	**($54,500,000)**	**($310,300,000)**	**($250,800,000)**	**($215,800,000)**	**($831,400,000)**
Agy. Self-Gen.	$0	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**$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**

EXPENDITURE EXPLANATION

The bill is anticipated to increase $52,270 SGR within the Dept. of Revenue in FY27 related to computer system development, modification, and testing. LDR reports the ability to absorb this amount within its current budget but may require additional resources if the aggregate impact of bills enacted during session is substantive. LED expects to decrease expenditures associated with the motion picture production program in FY30. Even though the bill sunsets applications for the program on July 1, 2025, LED expects to continue certifying credits until 2030 on existing productions in the pipeline.

REVENUE EXPLANATION

The bill is anticipated to decrease SGF revenue beginning in FY27. The bill lowers the individual income tax rate (IIT) to 2.75% in tax year 2027 and ends the motion picture tax credit program. The revenue table above shows the two counteracting effects playing out throughout the fiscal horizon: (1) the impact of lowering IIT rate in 2027 and (2) the impact of ending applications for the motion picture tax credit on July 1, 2025, but revenue gain unrealized until FY30.

(1) Lowering the IIT rate to 2.75% beginning in tax year 2027 is estimated to decrease general fund revenue by $54.5M in FY27, $310.3M in FY28, and $250.8M in each subsequent fiscal year as taxpayers will be taxed 2.75% of taxable income. This estimate is generated by a micro-simulation model processing the 2022 resident and nonresident IIT return data. The tax year liability change estimate is translated to fiscal year receipt estimates, reflected in the revenue table above. The first fiscal year of effect will be FY27 with tax receipts affected through withholdings changes assuming a one-quarter lag for discernible impact. Receipts for the second fiscal year, FY28, will decrease due to four quarters of withholdings, plus the catch-up of the first tax year's first quarter liability change when returns are filed, plus the amount of liability change typically realized on returns rather than through withholdings. The bill's tax year changes fully transition to fiscal year realizations by the third fiscal year, FY29, with tax table liability changes equal to fiscal year collections changes. No growth path has been assumed for purposes of the fiscal note, nor has an inflationary path been incorporated into the standard deduction tied to CPI-U in current law.

(2) Even though LED will stop accepting applications for the motion picture tax credit on July 1, 2025, LED reports the anticipated pipeline of $590M in production credits (which consists of $545M in current liabilities + $45M in anticipated applications prior to the sunset). The program is expected to continue processing applications received prior to the sunset date and certifying credits until FY30. In FY30, an increase of $35M SGF revenue is anticipated due to the exhaustion of motion picture tax credits, which assumes a timely claiming of projected credit. Should credits not be timely certified and claimed, the exact effects of the program may extend further. It's worth noting a decrease SGR associated with applications is anticipated beginning in FY27, and further in FY30 when LDR and LED no longer receive 2% on the buyback of credits.

Note: A portion of the SGF impact may originate as the LDR retention of 1% of income tax collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could have an SGR impact.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 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}

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