Louisiana Legislative Fiscal Office		LEGIS	LATIVE FISCAL C Fiscal Note	OFFICE					
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Date: June 4		5:48 PM			uthor:	DAVIS			
Dept./Agy.: Louisiana Economic Development / Department of Revenue									

TAX CREDITS

EN DECREASE GF RV See Note

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Analyst: Noah O'Dell

Extends the duration of the sound recording investor tax credit program

**Subject:** Income Tax: Sound Recording Investor Program Rebates

<u>Current law</u> authorizes a rebate payment to sound recording investors for 18% of project-based productions investments in excess of \$25,000, for 10-15% on Qualified Music Company (QMC) payroll on new jobs depending on the salaries, and a 10% increase for QMC's in the base investment for a resident copyright; limits QMC's to \$100,000 per project per year; stipulates the Secretary of LDR shall make payment to the QMC or investor in the amount to which he is entitled upon receipt of the tax credit certification letter; limits total rebates certified by Louisiana Economic Development (LED) each year to \$2.16M, with 50% reserved for QMC's; requires a certified public accountant to prepare the expenditure verification reports; No longer accepts applications July 1, 2025.

<u>Proposed law</u> transfers the sound recording investor rebate program from LED to the Dept. of Culture, Recreation and Tourism (CRT); extends applications for the program for 5 years; increases the dollar amount of rebates from 18% to 25% for project-based investments in excess of \$10,000 and from 10-15% to 15-20% for QMC's payroll on new jobs depending on the salaries; retains the \$2.16M program cap each year; appears to remove the requirement for a certified public accountant to prepare the expenditure verification report for final certifications. Effective upon governor's signature. No applications shall be received on or after July 1, 2030.

2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0
	\$10,000 \$0 \$0 \$0 \$0 \$10,000 2025-26 DECREASE \$0 \$0 \$0 \$0	\$10,000 \$10,000   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$10,000 \$10,000   \$10,000 \$10,000   \$0 \$10,000   \$0 \$10,000   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0   \$0 \$0	\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$0\$10,000\$10,000\$0	\$10,000\$10,000\$10,000\$10,000\$0\$0\$0\$0\$0\$0\$0\$0\$0\$0\$0\$0\$0\$0\$0\$0\$0\$0	\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$10,000\$0\$10,000\$10,000\$10,000\$0

## EXPENDITURE EXPLANATION

The bill is anticipated to increase \$10,000 SGF in CRT beginning in FY26 related to an online application platform. CRT reports the ability to administer the program utilizing existing staff. The bill adjusts the requirements related to the expenditure verification reports prepared by certified public accounts. LFO believes relaxing this requirement may potentially burden CRT staff reviewing expenditure verification reports for accurate in-state spending eligibility, based on experience with similar programs. To the extent activity surpasses expectations, additional resources may be required in the agency.

## **REVENUE EXPLANATION**

The bill transfers the Sound Recording Investor rebate program from LED to CRT, extends applications for an additional five years, and increases the value of rebate payments investors and QMC's will receive through the program, which is anticipated to reduce SGF revenue throughout the fiscal note horizon as additional and larger rebate payments (effectively refundable tax credits) are expected to be issued.

The Department of Revenue's 2024-2025 Tax Exemption Budget shows the average revenue loss associated with the program has averaged \$30,400 in the past three fiscal years with \$22,642 rebates claimed in FY24. Extending the program is expected to continue to decrease SGF revenue by a like amount in future years. However, the bill also increases the value of rebate payments that investors and QMC's will receive, which is anticipated to further decrease SGF over the fiscal note horizon. Maximum exposure to the general fund remains the same due to the \$2.16M limit on rebates that may be certified each year. To the extent that activity within the program increases, revenue loss may decrease by an additional indeterminable amount in future years.

The bill appears to relax requirements regarding a certified public accountant to prepare the expenditure verification reports and no longer requires permission from the Secretary (Lt. Governor) before new jobs can be approved within the program, which may potentially lead to additional credits being issued. CRT is mandated to promulgate rules related to administration.

LED reports there are currently \$162,000 in rebates in the pipeline for the program and applications may continue to be received until July 1, 2025. The exact timing of the SGF impact from the bill is complicated by the lapse of time between application and final certification. In the absence of the bill, programmatic activity will phase out over the fiscal note horizon as pipeline projects reach completion. However, the bill permits additional, larger rebate payments to be issued each year, thereby reducing SGF revenue.

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

<u>Senate</u>	Dual Referral Rules	House	Dhl Viin
13.5.1 >=	\$100,000 Annual Fiscal Cost {S & H}	6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	Ihi Vin
	\$500,000 Annual Tax or Fee Change {S & H}	6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Deborah Vivien Chief Economist