LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 483** HLS 13RS 976
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 19, 2013 5:11 PM
Author: LANDRY, NANCY
Dept./Agy.: Revenue / Economic Development
Subject: Extends musical and theatrical income tax credit to 2022
Analyst: Deborah Vivien

TAX CREDITS OR DECREASE GF RV See Note
Extends authority to grant tax credits for certain state-certified musical or theatrical facility infrastructure projects

Current law provides a one-time transferable and refundable income tax credit for state certified musical or theatrical infrastructure projects for 25% of expenses or private investment related to construction, repair or renovation of facilities which are expended for same in the state, not to exceed $10 million per project. The program is capped at $60 million per year. Credits will only be granted until January 1, 2014 and will be effective for a period of 12 months prior to and 12 months after the initial certification. Projects must certify at least 25% of expected expenditures before credits are granted. Other eligibility, expenditure and application fee requirements are contained in the statute.

Proposed law retains current law and extends the credit sunset by 8 years from January 1, 2014 to January 1, 2022.

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Economic Development and the Department of Revenue will continue to administer the credit within existing budgets.

REVENUE EXPLANATION

Historical amounts claimed for this credit have steadily increased from $30,024 in FY 10, $588,663 in FY 11, and $5,261,983 in FY 12. Since inception, the program has approved or has under review 21 projects totaling an estimated $170 million in eligible expenditures which would generate $40.8 million in tax credits. The largest project so far was certified for $10 million in credits, while most other projects are eligible for $1 million to $2 million in credits, with these projects including what appear to be school and church auditoriums.

Since the credits are refundable, it is expected that the amount outstanding is relatively small. However, expenditure timelines are expected to fluctuate with construction changes and issues. To the extent that projects that would not qualify by January 1, 2014 will be able to qualify under the extended sunset of this bill, the revenue losses to the state are in direct relation to their size and eligible spending. If the growth path experienced in claims over the last three years of an average of 13% per year is indicative of future growth, credits will increase to $10 million by FY 17 and $18 million by the sunset date in 2022. According to agency data, certified credits are much larger than credits claimed indicating that there are either a large amount of outstanding credits or many projects receiving certification either have not or will not complete construction. However, due to lack of comprehensive knowledge of pending or new projects, the magnitude of the decrease in state receipts due to the issuance of additional credits over the additional 8 years cannot be stated with any degree of certainty. Program costs are capped at $60 million annually, which may eventually be possible to attain if the program is utilized to fund construction of facilities associated with schools and churchs.

Since credits may be issued up to 12 months after initial certification under current law, and new projects take time to expend at least 25% of funds as required in current law, the first year impacts of this bill may be small. The extension applies to only half of FY 13/14.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F) >= $500,000 Annual Fiscal Cost {S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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