
DIGEST

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Montoucet

HB No. 696

Abstract: Relative to tax credits, reduces the amount of the wind or solar energy systems tax credit by 15% beginning July 1, 2013, through June 30, 2016, and makes numerous programmatic changes to the motion picture investor tax credit which apply to state-certified productions after Jan. 1, 2014.

Present law provides for the establishment of an income tax credit for the cost of purchase and installation of a wind energy system or a solar energy system. The amount of the credit shall be equal to 50% of the first \$25,000 of the cost of each wind energy or solar energy system, including installation costs.

Proposed law retains present law but requires, beginning July 1, 2013, any wind or solar energy system tax credit which is presented to the Dept. of Revenue or claimed by a taxpayer as an offset against income tax liability on a taxpayer's tax return to be reduced by 15%.

Present law authorizes a tax credit against state income tax for La. taxpayers for investment in state-certified motion picture productions. The amount of the tax credit is 30% of certified production expenditures (also known as base investment). Also provided is an additional tax credit equal to 5% of the base investment expended on payroll for La. residents employed in connection with all state-certified productions. Tax credits may be transferred to third parties or may be transferred to the Dept. of Economic Development for 85% of face value. Present law provides for definitions, eligibility requirements, and program administration for the motion picture investor tax credit.

Proposed law makes numerous changes to provisions of present law which are applicable to productions certified after Jan. 1, 2014.

Proposed law authorizes the use of tax credits against corporation franchise, severance, and sales and use taxes, in addition to income taxes as provided in present law.

Proposed law changes the definitions of "qualified expenditures", "resident", "source within the state", and provides new definitions for purposes of the tax credit program, including "qualified post-production expenditures", "post-production work", "qualified post-production facility," and "special event".

Proposed law changes present law by reducing the value of tax credits based on payroll

expenditures for below the line crewmembers who are not La. residents from 30% to 20%.

Proposed law extends the credit to smaller productions by allowing individual investors to receive tax credits equal to 30% of their investment in a production with a total base investment of greater than \$50,000 but less than \$300,000.

Proposed law limits rulemaking relative to the setting of caps or percentages with regard to the scope or qualification of expenditures.

Proposed law provides that no tax credits transferred to another La. taxpayer shall be subject to recovery or recapture. Once tax credits are granted and issued, the office and Dept. of Revenue shall have no right, except in the case of possible material misrepresentation or fraud, to conduct any further or additional review, examination, or audit of the production expenditures for which such tax credits were granted. The sole and exclusive remedy of the office and Dept. of Revenue shall be to seek collection of the amount of such tax credits from the entity that committed the fraud or misrepresentation.

Proposed law establishes "The Entertainment Advisory Committee" to develop a long term strategic plan for the development of an indigenous self-sustaining entertainment industry. Proposed law provides for the membership of the committee and requires that the committee provide a report to the House Committee on Ways and Means and Senate Committee on Revenue and Fiscal Affairs no later than Feb. 1, 2015.

Effective July 1, 2013, and shall take effect and become operative only if the proposed amendments to the Const. of La. contained in the Joint Resolutions which originated as HB Nos. 434, 435, and 436 of this 2013 R.S. are concurred in by both houses of the legislature and HB Nos. 1, 437, 456, 474, 571, 620, and 653 of this 2013 R. S. are enacted into law.

(Amends R.S. 47:6007(B), (C)(1)(intro. para.), (c)(intro. para.) and (d), (2)(intro. para.), (4)(intro. para.) and (f)(ii), (D)(1)(a), (2)(b)(intro. para.), (c), and (d)(intro. para.), (3), (6), (7), and (8), (E), and (F)(3); Adds R.S. 47:6007(C)(1)(e), (D)(9), and (F)(4), and 6030(G); Repeals R.S. 47:6007(D)(2)(a)(i)(ee))

Summary of Amendments Adopted by House

House Floor Amendments to the original bill.

1. Deletes the uniform 5% reduction of the tax credits in R.S. 47:6004 through 6037 and the school readiness tax credits beginning on or after Jan. 1, 2014, for income tax credits, and for taxable periods beginning on Jan. 1, 2015, for corporation franchise tax credits.
2. Deletes repeal of the tax incentives for university research and development parks, exemptions for manufacturing establishments, the Corporate Tax Apportionment Program, "green jobs industries", and urban revitalization.

3. Adds provision that any tax credit for state-certified productions certified on or after July 1, 2013, through June 30, 2016, shall be reduced by 10%, which shall become the face value of such credits. Further provides that beginning July 1, 2016, any tax credit, including tax credits certified on or after July 1, 2013, and before June 30, 2016, shall be given their full value.
4. Changes the certification of expenditures for state-certified productions from no more than twice during the duration of a state-certified production to once per calendar year.
5. Adds provision that payroll expenditure applications received on or after Aug. 1, 2013, shall be limited to \$3 Million per person, per state-certified production for each employee reported on a W2 form. Additionally, extends the cap to payments made to loan out companies or independent contractors reported on a Form 1099.
6. Prohibits a transfer from becoming effective against third parties until all required transfer documents are submitted.
7. Changes the amount of the processing fee from up to \$200 per transferee to \$200 per transferee.
8. Adds requirement that beginning July 1, 2013, any wind or solar energy system tax credit which is presented to the Dept. of Revenue or claimed by a taxpayer as an offset against corporate tax liability on a taxpayer's tax return to be reduced by 15%.
9. Changes the effective date from Jan. 1, 2014, to July 1, 2013, and shall take effect and become operative only if the proposed amendments of the Const. of La. contained in the Joint Resolutions which originated as HB Nos. 434, 435, and 436 of this 2013 R. S. are concurred in by both houses of the legislature and HB Nos. 1, 437, 456, 474, 571, 620, and 653 of this 2013 R. S. are enacted into law.

House Floor Amendments to the engrossed bill.

1. For the wind or solar energy system tax credit, changes the taxes to which the 1590 reduction applies from corporate taxes to income taxes.
2. For the motion picture investor tax credit, applicable to state-certified productions after Jan. 1, 2014:
 - (a) Deletes the temporary 10% reduction in the face value of the tax credit.
 - (b) Deletes provisions regarding the frequency of certification of expenditures for state-certified productions for the motion picture investor tax credit.
 - (c) Deletes provisions limiting payroll expenditures to no more than \$3 million

per person, per state-certified production.

- (d) Deletes changes to present law governing the transfer of tax credits.
- (e) Revises and adds various definitions, including "production expenditures".
- (f) Changes the value of the tax credit for non-resident below the line crew from 30% to 20%.
- (g) Adds a new tax credit for small productions.
- (h) Limits rulemaking authority.
- (i) Adds a new Entertainment Advisory Committee for purposes of developing a strategic plan for the entertainment industry in La.