LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 276** HLS 15RS 562
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 19, 2015 2:39 PM **Author:** HARRIS
Dept./Agy.: Economic Development / Revenue
Subject: Limits Annual Film Tax Credits Certified and Paid **Analyst:** Greg Albrecht

TAX CREDITS OR INCREASE GF RV See Note

Limits the amount of motion picture investor tax credit applications certified by the office and paid by the state each year

Current law provides a nonrefundable but transferable tax credit for expenditures made by motion-picture production companies (30% credit & 35% on resident payroll). The credit can also be directly redeemed from the state at a rate of 85%. Credits can not be claimed against tax or transferred or redeemed until expenditures are certified by the Dept. of Economic Development (LED).

Proposed law limits the tax credit dollar amount that can be certified by LED to $50 million in calendar year 2015, to $30 million in each of 2016 and 2017, and to $15 million in 2018. No credit amount is to be certified beginning with 2019. A first-come, first-served allocation of certifications is to be applied by LED, with the excesses over the limits treated as first in line for the subsequent year's limit.

Proposed law also limits the annual amount of credit that can be paid by the state (presumably by the Revenue Dept. - LDR) to $120 million in 2015, to $60 million in each of 2016 and 2017, and to $30 million in 2018. Effective July 1, 2015.

EXPENDITURES	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**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	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	INCREASE	INCREASE	INCREASE	INCREASE	
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

LED reports only two full-time staff administer the program and will be sufficient to handle the wind down of the program likely to result from the bill.

REVENUE EXPLANATION

The bill places relatively low limits on LED certifications of tax credit amounts starting with the current calendar year. LED reports that it will likely have certified over $100 million in credits by the July 1 effective date of the bill; twice the amount the bill currently would have allowed for the entire calendar year. Since this is tax filing season, it is also likely that by the July 1 effective date of the bill LDR will have paid credits in excess of the amount allowed for the entire calendar year, as well. Thus, it is not clear how the bill's 2015 limits can or will be implemented.

For subsequent years the bill imposes lower limits on certifications and payments that are well below the range of annual amounts that would likely to otherwise occur. LED currently expects to certify credits at a rate of about $250 million per year, and credits paid by LDR are likely to exceed $200 million per year. On the presumption that participation in the program were to continue unabated, certifications of credits would drop off to the limit amounts ($30 million in 2016 and 2017, and $15 million in 2018), and the excess amounts would accumulate ($220 million from 2016, $440 million by 2017, and $675 million by 2018). After 2018 no more certifications are allowed and the program ceases.

For state revenue purposes, the limits on credit payments are more significant. In 2016, only $60 million in credits are allowed to be paid, saving the state fisc at least $140 million of what would otherwise have been paid. A similar savings occurs for 2017, and at least $170 million savings occurs for 2018. After that savings of at least $200 million per year occur. Payment of outstanding credit amounts in excess of the annual limits and after 2018 are not authorized by the bill, and the associated credits are presumably lost to the holders of them.

The bill will likely reduce participation in the program dramatically if not essentially completely upon enactment since the certification limit for 2016 is very low relative to current program levels and a first-come, first-serve allocation makes it highly uncertain whether any particular project will receive certified credits. Limits on the annual amount of credits paid by the state also make participation highly risky and will encourage rapid contraction of the program.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}
		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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