LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 798** HLS 15RS 1549
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 4, 2015 8:40 AM **Author:** PONTI
Dept./Agy.: Economic Development
Subject: Limits the additional 5% LA resident payroll credit for film **Analyst:** Deborah Vivien

TAX CREDITS RE DECREASE GF RV See Note
Relative to the motion picture investor tax credit

Current law provides a nonrefundable but transferable tax credit for expenditures made by eligible motion-picture production companies (for a minimum $300,000 project a 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). Any salary for a LA resident in excess of $1M does not qualify for the credit.
Proposed law provides (a) each investor receives an additional 5% credit for resident payroll up to $1 million per person; (b) productions with an office based greater than 30 miles from New Orleans City Hall and that film more than 50% of their production days in the state beyond a thirty mile radius of New Orleans City Hall shall be allowed an additional 5% tax credit on all base expenditures other than non-resident payroll. The additional credit amount shall not exceed the expenditures on housing, per diem, and living allowances for residents. Effective with productions approved on or after 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.	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$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**

EXPENDITURE EXPLANATION
There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION
The bill expands the credit costs of the program by allowing an additional 5% credit for all expenditures (other than non-resident payroll) made by productions based outside the New Orleans production center and that film more than 50% of production days outside the New Orleans production center. Affected expenditures will likely exceed half of the total expenditures of eligible productions. LED estimates roughly $75 million of production spending outside the New Orleans production center during FY14. Specific data on nonresident payroll is not readily available, but if as much as 50% of these productions were nonresident payroll there would still be $37.5 million of expenditures eligible for the additional 5% credit of this bill, generating a maximum of $1.875 million of potential additional program credit costs from this potion of the bill. These additional costs can not exceed the expenditures on housing, per diem, and living allowances for residents. Thus, additional costs may be less than than this potential. LED does not have sufficient data on these specific expenditures to refine an estimate of cost expansion. The distribution of activity varies each year, but the bill provides a material incentive to base and produce outside the New Orleans production center and will result in greater program costs to the state fisc.

The bill also appears to allow an additional 5% tax credit for resident payroll up to $1 million of payroll per resident. In FY14, the existing 5% resident payroll credit generated $8.2 million of program credit costs. LED has issued $9.6 million of resident payroll credits to date in FY15. The bill essentially doubles this component of program costs, generating an additional maximum of $8.2 million of costs, based on FY14 actual realizations.

Total program cost increases resulting from the bill could be as much as $10.1 million per year.

Since the bill is effective for productions approved on or after July 1, 2015, and it can take one to two years for productions to work completely through the program, FY17 is the earliest that the bill's changes are likely to affect net state revenue.

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}
[x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		[x] 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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