LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 103** SLS 15RS 61
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date:	June 17, 2015 2:47 PM	**Author:**	MORRELL
Dept./Agy.:	Economic Development		
Subject:	Restrict Expenditures Eligible for Tax Credit	**Analyst:**	Greg Albrecht

TAX/TAXATION EN INCREASE GF RV See Note

Excludes certain expenditures as eligible for motion picture investor tax credits. (1/1/16)

Current law defines various expenditures eligible for 30% - 35% tax credit generation, as well as excludes certain expenditures.

Proposed law adds to the excluded expenditures the following: airfare, as well as bond fees, insurance premiums, finance fees, loan interest fees, or similar payments, paid to investors in a production. However, if these expenditures are made to a resident licensed insurance producer with its principal place of business in the state, or to a Louisiana financial institution, or to a Louisiana Business and Industrial Development Company with offices in the state and regulated by the state, the expenditures are not excluded. If the expenditures are included, these expenditures are to be prorated to Louisiana based on the share of total production activity occurring in the state. Applicable to productions with applications received on or after July 1, 2016.

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	$0	INCREASE	INCREASE	INCREASE	**$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**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The 2013 economic impact study regarding LED entertainment division programs, referenced 4% of the total certified expenditures as the type of expenditures being excluded by this bill, although this bill appears to target such expenditures when paid to investors in the productions, which seems likely to be only a subset of the total of these types of expenditures. Approximately $250 million or more in certified credits is expected, implying total certified expenditures in 2016 of about $833 million. This could include about $33 million of expenditures potentially affected by this bill. If all were excluded from generating tax credits, some $10 million of fewer tax credits could be certified (30% of the excluded expenditures).

Since the bill applies to production applications received after July 1, 2016, and it can take one to two years for many productions to work through the entire program process, the earliest that lower tax credits and higher net tax receipts are likely to occur is FY18, with some small portion of the total estimated program cost savings, and then step-up toward the full cost savings in FY19 and beyond.

Program cost savings assume that production activity continues without regard to the restrictions of this bill, and that productions do not begin to make these expenditures through Louisiana licensed and located financial institutions. However, some of these expenditures may already be being made through Louisiana entities, and it may be relatively easy to shift these expenditures to Louisiana entities for some productions. Thus, for this reason, as well, program savings may not be as much as suggested by this discussion.

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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