

LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 603** HLS 05RS 984

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Sub. Bill For.:

Proposed Amd.:



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Dept./Agy.: Revenue / Economic Development	Analyst: Julie A. Samson
Subject: Digital Interactive Media Producer Tax Credit	

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
 Provides for a digital interactive media production investor tax credit

Proposed legislation provides a tax credit against state income tax for producers who invest in state-certified digital interactive media productions or a component part of digital interactive media productions. If base investment is greater than three hundred thousand dollars and less than or equal to eight million dollars, each producer will receive a credit of 10% of the investment made by that producer. If the base investment is greater than eight million dollars, each producer will receive a credit of 15% of the investment made by that producer. The credits may be carried back one year or carried forward for ten years. Credits may also be transferred or sold. The Department of Revenue and the Department of Economic Development are to determine through rules what projects qualify as state-certified productions. Legislation sunsets on January 1, 2010. Effective upon signature of the governor.

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	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	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2005-06	2006-07	2007-08	2008-09	2009-10	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	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Both the Department of Revenue and the Department of Economic Development have expressed a need for additional staff and resources to administer this program. DED's estimates show total cost related to this program to be approximately \$100,000 per year. These expenses include salary, related benefits, equipment and travel for one economic development specialist and cost related to contracts for location scouts. Revenue's estimates show total cost related to this program to be approximately \$260,000 per year. These expenses include salaries and related benefits for 3 accounts auditors and 1 attorney. The total cost reported by these two agencies is \$360,000 per year. It is unclear to the LFO if all of these resources are needed, due to the uncertainty of the level of participation in the program.

Legislation provides that investors are required to reimburse the Department of Revenue for the cost of audits required to grant credits under this proposal. These collections would help to offset the expenditures discussed above.

REVENUE EXPLANATION

Legislation allows investors in state-certified productions to take a credit against their individual income tax. The credit is calculated as a percentage of the investment according to the total base investment dollars certified per project. Because credits can be sold to others, it is likely that the total amount of credit exposure granted each year will be realized against state tax revenue in periods relatively soon after issuance.

DED indicated that it has no data available on how many companies may exist in the state or be interested in the state in order to take advantage of this incentive, and whether or not state's available creative talent pool would be sufficient to attract interest in the state even with this credit.

Due to the lack of information available and the discretion granted the departments to qualify projects, the participation of Louisiana taxpayers in this program can only be speculated about. However, a decrease in revenue would result with any level of activity. For illustration purposes, investors providing \$8.1 million in investments would receive \$1.2 million in credits to be used against their own state tax liabilities or sold to other taxpayers to use against their state tax liabilities.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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