



LOUISIANA SENATE

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SENATOR MORRELL SEEKS TO REFORM AND STREAMLINE STATE'S FILM TAX CREDITS

FILES LEGISLATION TO MAKE CHANGES TO VALUED PROGRAM

District 3 State Senator JP Morrell (D-New Orleans) has filed legislation to implement a series of necessary reforms of the state's film tax credit program. The legislation seeks to modify the cost of the credits, focus the credits to benefit Louisiana, institute better regulation, and control fraudulent behavior. Sen. Morrell says that the reforms are critical to addressing the numerous issues that have existed in the program or could create problems in its future.

The program has brought Louisiana to the forefront of motion picture production since its inception in 2002. The credits were created to boost three entertainment industries: movie and TV productions, sound recordings and musical and theatrical productions. The program has created jobs and increased business sales for Louisiana residents. Despite its successes, Sen. Morrell says that budget issues and concerns of fraudulent practices in the program are cause for review and change.

"In 2013, I created the Entertainment Industry Development Advisory Commission (EIDAC) to review and make recommendations regarding streamlining the film tax credits and alleviating concerns regarding fraudulent practices in the program," said Sen. Morrell. "In light of the budget crisis and numerous tax credits and exemptions that currently exist on the books, this commission was further tasked with coming up with additional concepts for making the film tax credit more predictable and responsive."

In March, Louisiana Economic Development officials released a report that revealed that the program cost \$4.48 for every \$1.00 of state revenue it creates. Sen. Morrell used the data released in the report, the recommendations of EIDAC and the concerns of the public and industry stakeholders to craft comprehensive reform for the safety and future of the film tax credit program.

“The film and movie production industry made possible by these credits has brought a new sense of innovation to Louisiana,” said Sen. Morrell. “The problems that have arisen are correctable and I will do everything in my power to ensure the future viability of this valuable program.”

Representative Kirk Talbot, co-author of many of the measures, added, “What we need to do is root out the fraud and grow the industry with the people that are following the rules in a way that fiscally responsible.”

A summary of the bills is below.

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SENATOR MORRELL

FILM TAX CREDIT REFORM PACKAGE SUMMARY

MODIFYING THE COST OF THE CREDITS

SB 103 - Excludes expenditures for airfare, bond fees, insurance premiums, finance fees, loan interest fees, or payments of a similar nature paid to investors in the production as eligible for tax credit unless the such expenditures are made to a Louisiana financial institution or a BIDCO which have one or more offices in the state.

SB 96 - Limits the amount of tax credits that may be awarded on state-certified productions approved during a fiscal year to \$300 million, but rolls over any credits not awarded to future fiscal years.

FOCUSING THE CREDIT TO BENEFIT LOUISIANA

SB 102 - Prohibits certification for tax credits if expenditures for ATL services exceed 50% of total production expenditures in the state.

SB 99 - Authorizes contracts for tax credits for 5 years, renewable for 5 more, for scripted television/video series if they agree to construct or lease production facilities in Louisiana and reach an agreement with LED on guaranteed expenditures and jobs for residents.

SB 95 - Authorizes certifications of tax credits for Indigenous Louisiana Productions (ILP's) that agree that 75% of its expenditures for ATL services will be expended on Louisiana residents and that 75% of its jobs will employ Louisiana residents and provides special tax credit provisions for them. Advantages:

- (a) The base investment in the state only needs to be greater than \$50,000.
- (b) Allows up to \$1 million on marketing, advertising, and distribution to be considered eligible "production expenditures."
- (c) ILP's can transfer up to \$5 million of tax credits to the state for 90% of the face value of the credits.

SB 97 - Authorizes donations to CRT of an official advertising poster and a still frame from a movie production, or a significant set piece, prop, or costume in lieu of a first processing transfer fee for a Hollywood South program to memorialize the movie

industry in Louisiana on the condition that they may be used for unlimited marketing purposes.

BETTER REGULATION OF THE CREDIT

SB 100 - Requires sworn affidavits of those submitting information for the creation of production audit reports for tax credits, regulates and limits production expenditures between related parties, and subjects related party transactions to review by the state inspector general. Punishment: a fine of not more than \$10,000 or imprisonment at hard labor for not more than 5 years, or both.

SB 101 - Requires the Louisiana Workforce Commission to provide information to LED and LDR to verify payroll and employment of Louisiana residents for purposes of the tax credit.

CONTROLLING FRAUD IN THE PROGRAM

SB 105 - Authorizes the recapture of disallowed tax credits personally from owners of entities created or organized for the primary purpose of receiving and/or selling tax credits.

SB 106 - Requires debarment from the tax credit program for, and the recovery of, such credits issued in violation of the tax credit law or its administrative interpretation and those issued to an investor convicted of a criminal violation related to such tax credits.

SB 98 - Requires sellers of tax credits to qualify for and be included in a Public Registry of Motion Picture Investor Tax Credit Brokers which includes a criminal history background examination at the expense of the applicant. Subjects any person selling tax credits who fails to register with a punishment by a fine of not more than \$10,000 or imprisonment at hard labor for not more than 5 years, or both.