Economic and Fiscal Impact of Louisiana Entertainment Tax Credits

LOUISIANA ENTERTAINMENT

camoin associates

About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of $6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 32 states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, the *New York Times* and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter @camoinassociate and on Facebook.

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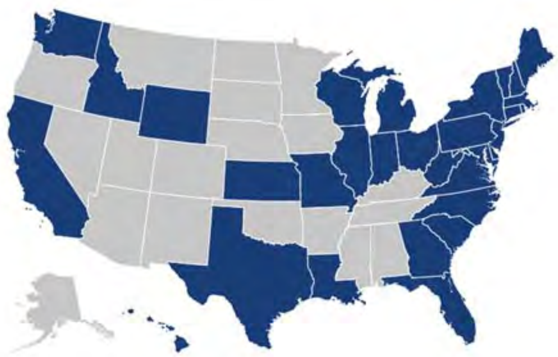


LOUISIANA ENTERTAINMENT
Tax Credit Programs

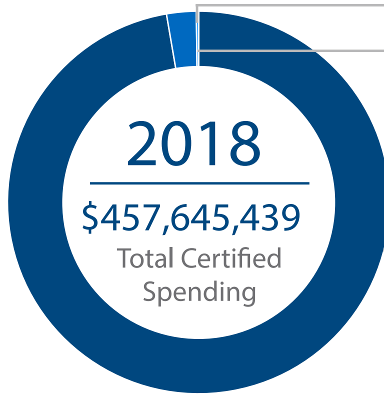
Louisiana's entertainment-focused incentive programs, motion picture, sound recording and live performance, have been designed to support, grow and create jobs in the entertainment industry in the State. The programs are internationally recognized and have helped to attract and retain thousands of jobs in the Louisiana economy, generated millions of dollars of investment in primary and secondary industries, and promoted the state as a place to do business in the entertainment industry.

The report includes expenditures certified in 2017 / 2018 with actual expenditures made in prior years and prior to the reforms enacted in 2017. The following analysis quantifies the economic and fiscal impacts of the Louisiana entertainment tax credit programs on the state.

FILM
$342,073,398

SOUND RECORDING
$269,372

LIVE PERFORMANCE
$28,101,959



FILM
$446,840,575

SOUND RECORDING
$271,765

LIVE PERFORMANCE
$10,533,099

FILM
$113,185,209

SOUND RECORDING
$51,600

LIVE PERFORMANCE
$6,396,268

FILM
$148,401,444

SOUND RECORDING
$48,918

LIVE PERFORMANCE
$2,005,993

TOTAL NEW SALES	2017	$737,252,582
	2018	$945,901,888
TOTAL JOBS SUPPORTED	2017	6,099
	2018	7,464
TOTAL NEW EARNINGS	2017	$248,594,807
	2018	$331,674,803

TOTAL TAX REVENUE GENERATED

2017	2018
$40,836,485	$54,401,176

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Introduction

The purpose of this report is to quantify the economic and fiscal impacts generated by the tax credit programs administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED), namely three programs:

1. Motion Picture Production Tax Credit (Film)
2. Sound Recording Investor Tax Credit (Sound)
3. Musical and Theatrical Production Income Tax Credit (Live Performance)

As required by LA R.S. 47:6007(D)(6), 47:6023(D)(5), and 47:6034(G), LED provisions a biennial review of the economic and fiscal impacts of these credits and has retained Camoin Associates to complete this review for the 2017 and 2018 calendar years.

The goals of the Louisiana entertainment tax credit programs are to encourage investment in and create jobs within Louisiana. The purpose of this analysis is to calculate the impact of the tax credit programs on the state's economy.

History of the Louisiana Entertainment Tax Credits

The history of the Louisiana entertainment tax credits begins when the film incentive was enacted in 1992, as the first state in the union to pursue this type of incentive program. Since then, there have been numerous changes to the law, including the first major expansion of the program in 2002. In addition to the film incentive, Louisiana now offers tax incentives for sound recording and live performance productions. The sound and live performance tax credits have varied over the years in Louisiana, but they are relatively unique and create a strong draw for non-film related entertainment industry development.

A recent critical legislative change came in 2015, which capped total credits claimed for any given year at $180 million but did not place a limit on how many tax credits could be certified in a given year. As a result of other changes to the program, producers grew increasingly hesitant to choose Louisiana for their projects which led to a decline in overall activity. Since then, 2017 legislative changes have made producers much more confident in Louisiana as a choice for their project, which has resulted in an upswing in overall spending. The current legislation restricts total film credits issued to $150 million per fiscal year but provides predictability to those applying for credits regarding how much they will be able to access per year.

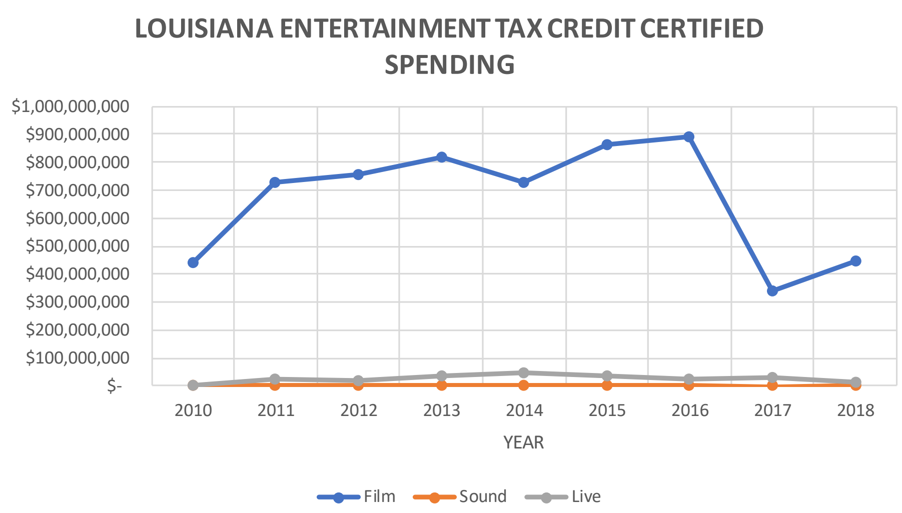

Figure 2: Louisiana Entertainment Tax Credit Certified Spending per Year

The Live Performance Production program offers up to an 18% tax credit on Louisiana expenditures, including up to a 7% tax credit on resident payroll. Similarly, the Sound Recording Program provides an 18% tax credit for projects recorded in the State of Louisiana.

Role of the Louisiana Entertainment Incentive Programs

Over the last 20 years, many other states and countries have implemented similar tax credit programs with the intent of luring the entertainment industry to their economy including Georgia, New York, California, and Canada. Given the high number of other states using incentives, it is critical to understand how Louisiana's program is perceived by the industry and better clarify how the program has played a role in building the industry in Louisiana.

Interviews with 14 entertainment professionals were conducted to gather information about how the industry has changed over time, the role of the tax credit program in attracting productions in Louisiana, and the perception of Louisiana in the industry. The following is a summary of the major themes from this research.

Role of the Tax Credit Programs in Decision Making

There are many different factors important to production site selection, but cost and available incentives remain at the top of the list.

- Entertainment industry access to tax credit programs has been growing throughout the United States and the world for a number of decades as more and more places see the potential economic benefit of attracting the industry. Over 80% of all productions receive some kind of incentive.
- Beyond most states in the United States, geographies around the world like Canada, Saudi Arabia, the United Kingdom, Ireland, Germany, Greece, and parts of Africa are offering incentive programs and growing their film and entertainment industry.
- Exchange rates between the U.S. and Canada are more favorable to Canada, so having access to the tax credit minimizes that gap and makes it financially feasible (or minimizes the deficit) to do a project in the United States.
- With so many places offering incentives, productions are often comparing different states and countries (like Georgia, New York, California, and Canada) and considering the stability/predictability of the program along with the potential financial gain, cost of labor, and exchange rates. See Attachment B for comparison of incentive programs.
- An interesting point brought up during the interviews was that as the number of incentives around the country have increased, the total content being created has also increased. As platforms and technology change, the total number of productions continues to grow. The increase in content is in fact putting additional pressure on those states/regions that have the necessary infrastructure and workforce and creating demand for even more investment.
- Another critical location decision is access to infrastructure and a trained workforce. As more places develop tax credit programs, the result should be increases in infrastructure and quality workforce.

Impact of the Louisiana Program

All sectors of the entertainment industry have been able to remain viable and grow as a direct result of the Louisiana entertainment tax credit programs.

- Following the change in the film tax credit legislation, the industry in Louisiana experienced a downturn in 2015, 2016 and part of 2017 which led to a temporary lull in activity and reduced investment by the industry. Since then, there has been a slight increase in activity due to the continued effort by the State to demonstrate that the industry and credit program are stable and sustainable in Louisiana.
- Before the tax credit incentive programs were established, a few hubs around the country were home to the majority of productions, thanks to their strong infrastructure. Once the incentive was established in Louisiana, infrastructure began to build and productions began choosing to locate here in Louisiana. This cycle continues as more productions locating in Louisiana have led to increased investment in infrastructure and development of a high-quality workforce.

- As other sources of funding for the arts have decreased, the ability to utilize the tax credit program has allowed production companies to be more creative, take more risks, and produce more shows throughout the year. These additional performances, and the ability to start new productions, have had a ripple effect in the economy as purchases are then made for costumes, lighting, construction, etc.
- The industry has grown in terms of workforce, infrastructure, capacity, and services since the establishment of the tax credit programs, helping create a competitive advantage for Louisiana when location decisions are being made.
- Peripheral industries and companies are seeing positive impacts of the entertainment industry activity such as catering, lighting, printing services, real estate, restaurants, lumber/construction companies, transportation, digital processing, and others.
- The Live Production tax credit is unique to Louisiana and has resulted in productions like Cirque du Soleil choosing Louisiana for their rehearsals, when they may have selected another location or chosen to stay in Canada where they are based.
- A couple of interviews provided anecdotes that suggest that many people are also buying homes and moving in-state permanently and this increase in permanent residents with experience and expertise in the entertainment industry further boosts the reputation and attractiveness of Louisiana as a place to locate a production.
- Based on the interviewees, additional benefits of the growth of the entertainment industry in Louisiana include investments being made to repurpose older buildings, income tax revenue on residuals and other pay checks, and increased support of philanthropic organizations.
- Impacts on tourism are acknowledged and are part of the formula used in this analysis. Recent reports on the impact of the film industry on tourism have been released by third parties.

Figure 3: Source - Louisiana Entertainment

Methodology

Louisiana Entertainment, a division of Louisiana Economic Development, administers the incentive programs contained in this report. In addition, the total certified spending and payroll amounts are verified by a licensed CPA before any credit is issued. The total Louisiana spending and earnings were provided to Camoin Associates, by program for projects having credits certified in 2017 and 2018.

Camoin Associates employed the following methodology to calculate the economic impact of the Louisiana entertainment tax credit programs.

1. Calculate total direct spending and earnings: The first step is to identify the total amount of spending occurring and earnings generated in Louisiana as a result of the tax credit programs – these figures were used as the direct input into the model. This information was provided by Louisiana Entertainment and reviewed by Camoin Associates. For purposes of this analysis, it is assumed that 100% of this spending and earnings are net new to the Louisiana economy and, without the credit programs, this spending would not occur.

2. Model industry activity. In order to model the economic impact of the tax credits, it is important to accurately model the industries within which this activity is taking place. This analysis uses the direct spending and earning identified in Step 1 and distributes it among six major six-digit NAICS industries across three broad entertainment categories covering Louisiana's film production, sound recording, and live performance industries. These six categories represent the dominant industries within Louisiana's greater entertainment production ecosystem, and accurately reflect the industries where the tax credits will have the strongest impact.

3. Model economic impacts. Using the total sales and earnings figures as inputs, we modeled the indirect impacts—in terms of jobs, earnings, and sales—of the tax credits on the State of Louisiana. Economic multipliers were provided through the EMSI software package.

4. Model fiscal impacts. Local and state tax revenues resulting from economic activity associated with the tax credits were then estimated based on the results of the economic impact analysis[1].

Modeling Software

Economic Modeling Specialists, Intl. (EMSI) designed the input-output model used in this analysis. The EMSI model allows the analyst to input the amount of new direct economic activity (spending, earnings, or jobs) occurring within the state of Louisiana and uses the direct inputs to estimate the spillover effects that the net new spending, earnings, or jobs have as these new dollars circulate through the study area's economy. This is captured in the indirect impacts and is commonly referred to as the "multiplier effect." See Appendix A for more information on economic impact analysis.

What does "Net New" Mean?

When looking at the economic impacts of a project, it's important to look only at the economic changes that would not happen in that project's absence. These effects are the "net new" effects: purchases made only as a result of the project in question.

Definition of a "Job"

A "job" is equal to one person employed for some amount of time (part-time, full-time, or temporary) during 2017 or 2018. For example, if a person is employed full-time in 2017 and 2018 that would be considered two jobs. Another example, if one person is employed part-time for four months, then takes two months off and is hired again for four months that would be considered two jobs.

In addition, this spending did not create new jobs; however, the jobs reported should be considered "jobs supported by the certified spending."

The information must be calculated in this way due to the manner which the job information is reported by the Quarterly Census of Employment and Wages (QCEW), Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA). The information is provided by the employers to the government in terms of total jobs, not by total number of total full-time equivalents (FTE).

[1] Camoin also consulted with the Louisiana Department of Revenue and the Legislative Fiscal Office regarding state/local taxes.

Economic Impact Analysis

Table 1 shows total Louisiana spending and earnings in 2017 and 2018 associated with the entertainment tax credit programs, as reported in tax credit applications and provided by Louisiana Entertainment. In total, credit-eligible projects accounted for over $370 million in spending in 2017 and over $457 million in 2018. The vast majority of the sales (92% in 2017 and 98% in 2018) was related to the film program. Additionally, these projects generated over $112 million in earnings in 2017 and over $151 million in earnings in 2018.

Table 1: Louisiana Entertainment Tax Credit Programs - Direct Expenditures

Total Louisiana Spending and Earnings by Credit Eligible Projects				
	Spending		Earnings	
Program	2017	2018	2017	2018
Film	$ 342,073,398	$ 446,840,575	$ 108,138,006	$ 148,428,853
Sound Recording	$ 269,372	$ 271,765	NA	NA
Live Performance-Production	$ 17,824,253	$ 10,533,099	$ 4,439,120	$ 2,587,144
Live Performance-Infrastructure *	$ 10,277,706	NA	NA	NA
Totals	**$ 370,444,729**	**$ 457,645,439**	**$ 112,577,126**	**$ 151,015,997**

* Program did not exist in 2018.

Source: Louisiana Economic Development

The total annual spending and earnings figures were used as the direct inputs in the model to generate the total impacts in terms of new sales, jobs, and earnings.

Figure 4: Source - Louisiana Entertainment

Total Industry Impact Analysis

Economic Impact of All Programs in 2017

As shown below, the Louisiana entertainment tax credit programs resulted in an additional $367 million in new indirect sales in 2017, adding a total of nearly $737 million in new spending. This new spending supported nearly 6,100 jobs (2,357 direct and 3,742 indirect), as well as $248 million in annual earnings.

Economic Impact of All Programs in 2018

As shown below, the Louisiana entertainment tax credit programs resulted in an additional $488 million in new indirect sales in 2018, adding a total of nearly $946 million in new spending. This new spending supported over 7,400 jobs (2,588 direct and 4,876 indirect) as well as $331 million in annual earnings.

Table 2: Summary of Total Economic Impacts – 2017 and 2018

Summary of Total Economic Impact - Film Production							
2017				2018			
	Direct	Indirect	Total		Direct	Indirect	Total
Sales	$ 342,073,398	$ 351,981,965	$ 694,055,363	Sales	$ 446,840,575	$ 479,631,595	$ 926,472,170
Jobs	2,095	3,562	5,657	Jobs	2,446	4,770	7,216
Earnings	$ 108,138,006	$ 130,292,734	$ 238,430,740	Earnings	$ 148,428,853	$ 177,313,263	$ 325,742,116

Summary of Total Economic Impact - Sound Recording							
2017				2018			
	Direct	Indirect	Total		Direct	Indirect	Total
Sales	$ 269,372	$ 135,531	$ 404,903	Sales	$ 271,765	$ 136,958	$ 408,723
Jobs	2	1	3	Jobs	2	1	3
Earnings	$ 45,400	$ 51,302	$ 96,702	Earnings	$ 45,780	$ 51,731	$ 97,511

Summary of Total Economic Impact - Live Production							
2017				2018			
	Direct	Indirect	Total		Direct	Indirect	Total
Sales	$ 28,101,959	$ 14,690,358	$ 42,792,317	Sales	$ 10,533,099	$ 8,487,896	$ 19,020,995
Jobs	260	179	439	Jobs	140	105	245
Earnings	$ 4,439,120	$ 5,628,245	$ 10,067,365	Earnings	$ 2,587,144	$ 3,248,032	$ 5,835,176

Summary of Total Economic Impact							
2017				2018			
	Direct	**Indirect**	**Total**		**Direct**	**Indirect**	**Total**
Sales	**$ 370,444,729**	**$ 366,807,853**	**$ 737,252,582**	**Sales**	**$ 457,645,439**	**$ 488,256,449**	**$ 945,901,888**
Jobs	**2,357**	**3,742**	**6,099**	**Jobs**	**2,588**	**4,876**	**7,464**
Earnings	**$ 112,622,526**	**$ 135,972,281**	**$ 248,594,807**	**Earnings**	**$ 151,061,777**	**$ 180,613,026**	**$ 331,674,803**

Source: Louisiana Economic Development, Camoin Associates, EMSI

Note: Sound Recording analysis uses industry sales as the direct input instead of earnings due to data available.

Fiscal Impact Analysis

Introduction

Beyond the economic impacts calculated above, there are also fiscal impacts of the entertainment industry that result from increased economic activity and accrue in the form of additional tax revenue. The following section calculates the fiscal impact and the return on investment of the entertainment tax credit programs.

Impacts on State and Local Revenue

Impacts on State Revenue

Table 3 below calculates the state revenue that is generated because of the entertainment tax credit programs' economic activity. Louisiana state officials estimate state revenue to be approximately 8.70% of earnings. Using the total new earnings calculated in Table 2 and applying 8.70%, that equals over $21 million in new state revenue in 2017 and nearly $29 million in 2018.

Table 3: Fiscal Impact of the Entertainment Tax Credit Programs on State Revenue

Fiscal Impact of the Entertainment Tax Credit Programs on State Revenue				
2017				
	Film	Sound	Live	Total
Total New Earnings	$ 238,430,740	$ 96,702	$ 10,067,365	$ 248,594,807
State Revenue Generated from Earnings	8.70%	8.70%	8.70%	8.70%
Total New State Revenue	**$ 20,743,474**	**$ 8,413**	**$ 875,861**	**$ 21,627,748**
2018				
	Film	Sound	Live	Total
Total New Earnings	$ 325,742,116	$ 97,511	$ 5,835,176	$ 331,674,803
State Revenue Generated from Earnings	8.70%	8.70%	8.70%	8.70%
Total New State Revenue	**$ 28,339,564**	**$ 8,483**	**$ 507,660**	**$ 28,855,708**

Source: State of Louisiana, Camoin Associates

Impacts on Local Revenue

Table 4 calculates the amount of tax revenue that local agencies received in 2017 and 2018 as a result of the economic activity generated by the entertainment tax credit programs. Camoin Associates calculated the proportion of entertainment industry spending associated with credit-eligible projects (total sales figure from Table 2) relative to total sales across all industries in 2017 and 2018. This percentage was then applied to Louisiana's total local tax collections in 2017 and 2018 for each credit category to determine the portion of tax collections attributable to the entertainment industry tax credit program. This methodology is based on the assumption that the share of credit-related industry spending relative to the total state sales activity is approximately equal to the share of local tax collections attributable to the tax credit program. In other words, the entertainment industry activity makes up a certain percentage of the state's total economic activity, and therefore, the entertainment industry accounts for a similar percentage of the local jurisdictions' revenue.

In total, the entertainment tax credit programs resulted in $19 million in new local tax revenue in 2017 and over $25 million in 2018.

Table 4: Fiscal Impact of the Entertainment Tax Credit Programs on Local Revenue

Fiscal Impact of the Entertainment Tax Credit Programs on Local Revenue					
2017					
		Film	Sound	Live	**Total**
Total New Sales Attributed to Program		$ 694,055,363	$ 404,903	$ 42,792,317	$ 737,252,582
Total State Sales in 2017		$ 472,743,372,418	$ 472,743,372,418	$ 472,743,372,418	$ 472,743,372,418
% of All Sales		0.15%	0.00009%	0.01%	0.16%
	Total Public Collections	Tax Generated (0.15%)	Tax Generated (0.00009%)	Tax Generated (0.01%)	Tax Generated (0.16%)
Local Revenue (FY 16/17)*	**$ 12,317,085,626**	**$ 18,083,256**	**$ 10,550**	**$ 1,114,932**	**$ 19,208,737**
2018					
		Film	Sound	Live	**Total**
Total New Sales Attributed to Program		$ 926,472,170	$ 408,723	$ 19,020,995	$ 945,901,888
Total State Sales in 2017		$ 472,743,372,418	$ 472,743,372,418	$ 472,743,372,418	$ 472,743,372,418
% of All Sales		0.20%	0.00009%	0.004%	0.20%
	Total Public Collections	Tax Generated (0.20%)	Tax Generated (0.00009%)	Tax Generated (0.004%)	Tax Generated (0.20%)
Local Revenue (FY17/18)*	**$ 12,767,128,415**	**$ 25,020,740**	**$ 11,038**	**$ 513,690**	**$ 25,545,468**

*Total local revenue estimated based on 2016 Census figures comparing state revenue to local revenue in Louisiana.

Note: Tax Generated calculated as Public Collections x % of Total Sales for individual programs.

Source: EMSI, State of Louisiana, U.S. Census, Camoin Associates

Total Impact on Public Revenue

Combining the state revenue and local revenue calculated above (Table 3 and Table 4), Table 5 shows the total impact of the entertainment tax credit programs on public revenue streams.

Table 5: Fiscal Impact of the Entertainment Tax Credit Programs on State and Local Revenue

Fiscal Impact of the Entertainment Tax Credit Programs on State and Local Revenue				
2017				
	Film	Sound	Live	**Total**
New State Revenue	$ 20,743,474	$ 8,413	$ 875,861	$ 21,627,748
New Local Revenue	$ 18,083,256	$ 10,550	$ 1,114,932	$ 19,208,737
Total New Public Revenue	**$ 38,826,730**	**$ 18,963**	**$ 1,990,793**	**$ 40,836,485**
2018				
	Film	Sound	Live	**Total**
New State Revenue	$ 28,339,564	$ 8,483	$ 507,660	$ 28,855,708
New Local Revenue	$ 25,020,740	$ 11,038	$ 513,690	$ 25,545,468
Total New Public Revenue	**$ 53,360,304**	**$ 19,522**	**$ 1,021,350**	**$ 54,401,176**

Source: Camoin Associates

Return on Investment

The State is essentially investing in the entertainment industry in Louisiana through the use of tax credit programs. When considering the return on that investment, there are a number of ways to look at it, including direct new state and local tax revenue generated by the industry and additional sales/earnings in the state that are attributable to the program. The following tables show the impact of the entertainment tax credit programs on the state's finances, overall state resident earnings and industry sales.

Additional Public Revenue per Dollar of Tax Credit

As calculated in the previous section (Table 5), the entertainment tax credit programs generate between $40 million and $54 million in additional state and local tax revenue. With $119 million in credits certified in 2017 and $150 million certified in 2018, means that the return on investment ratio for all entertainment programs together is approximately 0.35, or about 35 cents in tax revenue for every dollar of tax credit. Of course, this ratio contemplates only the tax revenue generated and must be understood in terms of the jobs, wages and economic activity associated with the tax credits. Additionally, it is critical to note that this type of analysis is based on best available data and readers should expect a slight a margin of error in the ROI of approximately 10%+/-. *Table 6: Return on Investment of the Louisiana Entertainment Tax Credit Programs*

Return on Investment of the Louisiana Entertainment Tax Credit Program				
2017				
	Film	Sound	Live	Total
State and Local Tax Revenue	$ 38,826,730	$ 18,963	$ 1,990,793	$ 40,836,485
Credits Certified	$ 113,185,209	$ 51,600	$ 6,396,268	$ 119,633,077
Return on Investment	**0.34**	**0.37**	**0.31**	**0.34**
2018				
	Film	Sound	Live	Total
State and Local Tax Revenue	$ 53,360,304	$ 19,522	$ 1,021,350	$ 54,401,176
Credits Certified	$ 148,401,444	$ 48,918	$ 2,005,993	$ 150,456,355
Return on Investment	**0.36**	**0.40**	**0.51**	**0.36**

Source: Camoin Associates

Figure 5: Source - Louisiana Entertainment

Dynamic Impact of Programs on Statewide Earnings and Sales

As shown in the Economic Impact analysis (Table 2), the entertainment tax credit programs resulted in new earnings and sales for residents and businesses in Louisiana. The following table calculates how the credits issued resulted in economic activity in the State.

Table 7: Impact of the Entertainment Tax Credit Programs on Earnings and Sales

Dynamic Impact of the Louisiana Entertainment Tax Credit Programs on Earnings and Sales				
Additional Resident Earnings				
2017				
	Film	Sound	Live	**Total**
Total Earnings	$ 238,430,740	$ 96,702	$ 10,067,365	**$ 248,594,807**
Total Credits Certified	$ 113,185,209	$ 51,600	$ 6,396,268	**$ 119,633,077**
Tax Credit Multiplier on Earnings	2.11	1.87	1.57	**2.08**
2018				
	Film	Sound	Live	**Total**
Total Earnings	$ 325,742,116	$ 97,511	$ 5,835,176	**$ 331,674,803**
Total Credits Certified	$ 148,401,444	$ 48,918	$ 2,005,993	**$ 150,456,355**
Tax Credit Multiplier on Earnings	2.20	1.99	2.91	**2.20**
Additional Statewide Sales				
2017				
	Film	Sound	Live	**Total**
Total Sales	$ 694,055,363	$ 404,903	$ 42,792,317	**$ 737,252,582**
Total Credits Certified	$ 113,185,209	$ 51,600	$ 6,396,268	**$ 119,633,077**
Tax Credit Multiplier on Sales	6.13	7.85	6.69	**6.16**
2018				
	Film	Sound	Live	**Total**
Total Sales	$ 926,472,170	$ 408,723	$ 19,020,995	**$ 945,901,888**
Total Credits Certified	$ 148,401,444	$ 48,918	$ 2,005,993	**$ 150,456,355**
Tax Credit Multiplier on Sales	6.24	8.36	9.48	**6.29**

Source: Camoin Associates

- For every one dollar of credits certified, there was an additional $2.08 in earnings in 2017 in the state and $2.20 in earnings in 2018.
- For every one dollar of credits certified, there was an additional $6.16 dollars in sales in 2017 and $6.29 in sales in 2018.

Projected Impacts of the Changes to the Film Incentive

The film incentive program has recently undergone a change that caps the amount of credits certified per year at $150 million. In addition, the new incentive program has a component that issues credits based upon the creation of new direct jobs in the state of Louisiana. Using the last two years' ratio of impact to credits certified, Table 8 calculates the low and high range impact that will result from the cap.

Table 8: Impact of the $150 Million Cap on Film Tax Credits Certified Per Year

Impact of the $150 MIlion Cap on Film Tax Credits Issued Per Year		
	Future - Low	Future - High
Total Certified Spending	$ 451,653,868	$ 453,336,705
Total Sales	$ 936,451,977	$ 919,804,852
Total Jobs	7,294	7,497
Total Earnings	$ 329,250,957	$ 315,983,080
Total Fiscal Benefit	$ 51,455,571	$ 53,935,093
Total Credits Certified	$ 150,000,000	$ 150,000,000
Return on Investment	0.34	0.36

Source: Camoin Associates

Attachment A. What is an Economic Impact Analysis?

The purpose of conducting an economic impact study is to ascertain the total cumulative changes in employment, earnings and output in a given economy due to some initial "change in final demand". To understand the meaning of "change in final demand", consider the installation of a new widget manufacturer in Anytown, U.S.A. The widget manufacturer sells $1 million worth of its widgets per year exclusively to consumers in Canada. Therefore, the annual change in final demand in the United States is $1 million because dollars are flowing in from outside the United States and are therefore "new" dollars in the economy.

This change in final demand translates into the first round of buying and selling that occurs in an economy. For example, the widget manufacturer must buy its inputs of production (electricity, steel, etc.), must lease or purchase property and pay its workers. This first round is commonly referred to as the "Direct Effects" of the change in final demand and is the basis of additional rounds of buying and selling described below.

To continue this example, the widget manufacturer's vendors (the supplier of electricity and the supplier of steel) will enjoy additional output (i.e., sales) that will sustain their businesses and cause them to make additional purchases in the economy. The steel producer will need more pig iron and the electric company will purchase additional power from generation entities. In this second round, some of those additional purchases will be made in the U.S. economy and some will "leak out". What remains will cause a third round (with leakage) and a fourth (and so on) in ever-diminishing rounds of industry-to-industry purchases. Finally, the widget manufacturer has employees who will naturally spend their wages. Again, those wages spent will either be for local goods and services or will "leak" out of the economy. The purchases of local goods and services will then stimulate other local economic activity. Together, these effects are referred to as the "Indirect Effects" of the change in final demand.

Therefore, the total economic impact resulting from the new widget manufacturer is the initial $1 million of new money (i.e. Direct Effects) flowing in the U.S. economy, plus the Indirect Effects. The ratio of Total Effects to Direct Effects is called the "multiplier effect" and is often reported as a dollar-of-impact per dollar-of-change. Therefore, a multiplier of 2.4 means that for every dollar ($1) of change in final demand, an additional $1.40 of indirect economic activity occurs for a total of $2.40.

Key information for the reader to retain is that this type of analysis requires rigorous and careful consideration of the geography selected (i.e., how the "local economy" is defined) and the implications of the geography on the computation of the change in final demand. If this analysis wanted to consider the impact of the widget manufacturer on the entire North American continent, it would have to conclude that the change in final demand is zero and therefore the economic impact is zero. This is because the $1 million of widgets being purchased by Canadians is not causing total North American demand to increase by $1 million. Presumably, those Canadian purchasers will have $1 million less to spend on other items and the effects of additional widget production will be cancelled out by a commensurate reduction in the purchases of other goods and services.

Changes in final demand, and therefore Direct Effects, can occur in a number of circumstances. The above example is easiest to understand: the effect of a manufacturer producing locally but selling globally. If, however, 100% of domestic demand for a good is being met by foreign suppliers (say, DVD players being imported into the U.S. from Korea and Japan), locating a manufacturer of DVD players in the U.S. will cause a change in final demand because all of those dollars currently leaving the U.S. economy will instead remain. A situation can be envisioned whereby a producer is serving both local and foreign demand, and an impact analysis would have to be careful in calculating how many "new" dollars the producer would be causing to occur domestically.

Attachment B. Comparison Incentive Programs

Comparison Incentive Programs	
State	Incentive Summary
California	Feature films and TV series, or television pilots may be eligible for a 20 percent or 25 percent nontransferable tax credit depending on certain criteria. These productions must meet a minimum budget requirement of $1 million and credit allocation applies only to the first $100 million in qualified expenditures. Movies of the Week or miniseries with a minimum production budget of $500,000 may also qualify for this credit. Independent projects are eligible for a 25 percent transferable tax credit. These productions must meet a minimum budget requirement of $1 million and credit allocation applies only to the first $10 million of qualified expenditures. Relocating TV series are eligible for a 25 percent non-transferable tax credit. These productions must meet a minimum budget requirement of $1 million. Additional seasons of a relocating TV series are eligible for a 20 percent transferable tax credit. There is a 5 percent credit uplift available for projects eligible for a 20 percent tax credit that have expenditures relating to: out-of-zone filming, music scoring and track recording, or visual effects. The maximum credit a production can earn is 25 percent. The annual program cap for the fiscal year ending June 30, 2015 is $230 million. The new annual program cap is $330 million beginning July 1, 2016 through June 30, 2020.
Georgia	The Entertainment Industry Investment Act offers an across the board flat, one-time transferrable, tax credit of 20 percent based on a minimum investment of $500,000 on qualified productions in Georgia. An additional 10 percent Georgia Entertainment Promotion uplift can be earned by including an imbedded animated Georgia logo on approved projects. There is no cap on spending in Georgia. The state also offers a sales & use tax exemption. Qualified companies can get an immediate pointof-purchase sales tax exemption that will save productions up to 8 percent on most below-the-line materials and service purchases or rentals. There is no per-project or annual program cap for film incentives. The program has no sunset date.
Louisiana	The state provides up to a 40 percent tax credit (25 percent base credit; 10 percent increase for Louisiana screenplay productions, 5 percent increase if outside of the New Orleans Metro Statistical Area). • There is a $50,000 minimum in-state expenditure requirement for Louisiana screenplay productions, and a $300,000 minimum in-state expenditure requirement for all other eligible productions. • The maximum amount of credits that can be issued is $150 million per fiscal year. • The maximum amount of credits that can be claimed is $180 million per fiscal year. These are credits that were previously issued and are now being claimed on a production's tax return. • Tax credits may be used to offset personal or corporate income tax liability in Louisiana. • Tax credits may be transferred back to the state for 90 percent of face value (although a 2 percent transfer fee results in an 88 percent net). The state also offers a digital interactive media and software development refundable tax credit for products such as digital media and games, web-based and mobile applications, interactive devices and consoles, etc.
New York	The state offers a Film Production Credit of a 30 percent fully-refundable tax credit on qualified production and post-production costs while filming in the state. For the period through 2022, production budgets over $500,000 can receive an additional 10 percent credit for qualified labor expenses incurred in certain New York counties outside of the NYC metro district. This additional 10 percent credit is capped at $5 million per year. Feature films and television series that film a substantial portion of their project in the state are eligible for credits. The program is capped at $420 per year. Of the $420 million in refundable tax credits allocated to the program, $25 million is set aside for post-production projects. A 30 percent post production tax credit is available, and an additional five percent is available for costs incurred in Upstate NY, outside the NYC metro district. For the period 2015-2022, productions with budgets over $500,000 can receive an additional 10 percent credit on qualified labor expenses incurred in the certain New York counties. Refundable tax credits up to $7 million per year are available for qualified commercials with added incentives for companies increasing volume of work in New York are available. There is also a film investment tax credit of up to five percent on investments in construction and upgrades to qualified film production facilities plus employment incentive tax credits for two additional years. Film production activities/expenses that are exempt from New York State sales tax
Canada	The Canadian Film or Video Production Tax Credit program gives a refundable tax credit of 25% of qualified labor expenditures by a qualified corporation for the production of a Canadian film or video production. The qualified labor expenditures cannot be more than 60% of production cost, net of any assistance. The maximum credit available is therefore limited to 15% of production cost net of assistance.

Sources:
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