SUBMITTED TO:

Louisiana Entertainment
617 North Third Street, PO Box 94185
Baton Rouge, LA 70802

LOUISIANA ENTERTAINMENT
A Division of Louisiana Economic Development

Economic and Fiscal Impact

MOTION PICTURE PRODUCTION TAX CREDIT, 2019-2020

Louisiana Entertainment

MARCH 2021

PREPARED BY:

camoin associates
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ABOUT CAMOIN 310

Camoin 310 has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin 310 has served EDOs and local and state governments from Maine to California; corporations and organizations that include Amazon, 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 over 1,000 projects in 40 states and garnered attention from national media outlets including Marketplace (NPR), Crain's New York Business, 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 Richmond, VA; Portland, ME; Boston, MA; 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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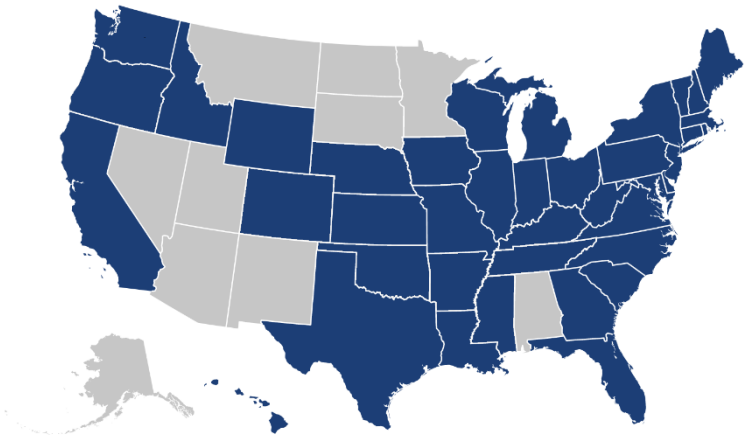


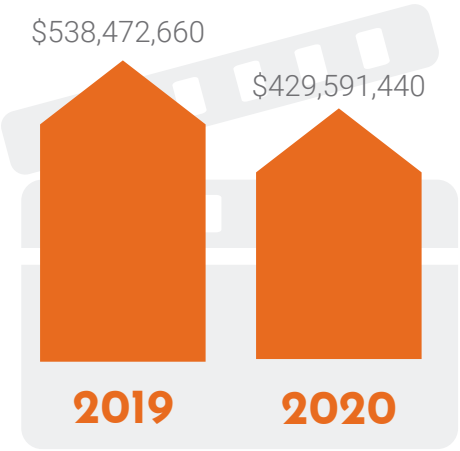
LOUISIANA ENTERTAINMENT

ECONOMIC IMPACT
OF THE MOTION PICTURE PRODUCTION
TAX CREDIT

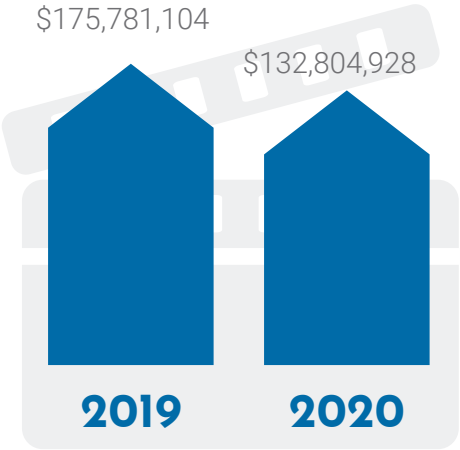
Louisiana's Motion Picture Production Tax Credit has been instrumental in the development of a self-supporting motion picture production industry by encouraging job creation and investment within the state of Louisiana.

The report includes expenditures certified in 2019 and 2020, of which the actual spending likely occurred in a previous year, and quantifies the economic and fiscal impacts of the motion picture production tax credit program on the state.

TOTAL CERTIFIED SPENDING



TOTAL CERTIFIED CREDITS



ANNUAL ECONOMIC ACTIVITY GENERATED

	JOBS	EARNINGS	SALES
2019	**10,064**	**$358,117,028**	**$1,016,539,310**
2020	**9,636**	**$338,399,538**	**$813,187,241**

TOTAL TAX REVENUE GENERATED

2019	2020
$53,034,429	$46,324,029

ADDITIONAL EARNINGS FOR LOUISIANA'S RESIDENTS

For every one dollar of credits certified, there was an additional:

2019	2020
$2.04	$2.55

in earnings in the state.

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Source: Louisiana Economic Development

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INTRODUCTION

The purpose of this report is to quantify the economic and fiscal impacts generated by the Motion Picture Production Tax Credit administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED).

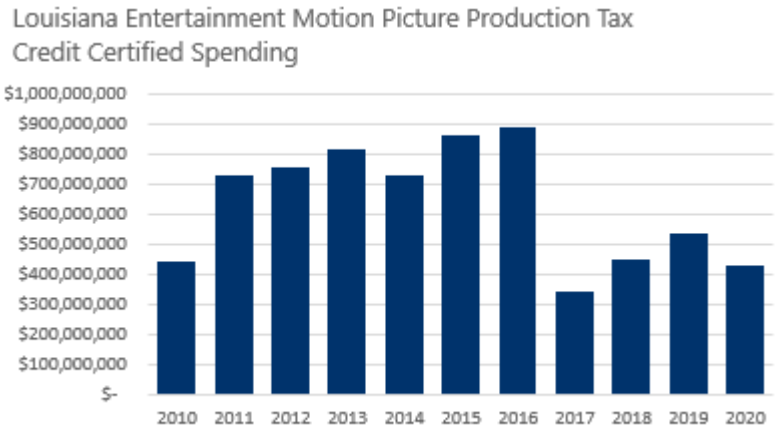
As required by LA R.S. 47:6007(D)(6), LED provisions a biennial review of the economic and fiscal impacts of these credits and has retained Camoin 310 to complete this review for the 2019 and 2020 calendar years.

The goal of the Louisiana motion picture production tax credit program is to encourage investment and job creation within Louisiana. The purpose of this analysis is to calculate the impact of the tax credit program on the state's economy.

HISTORY OF THE LOUISIANA MOTION PICTURE PRODUCTION TAX CREDIT

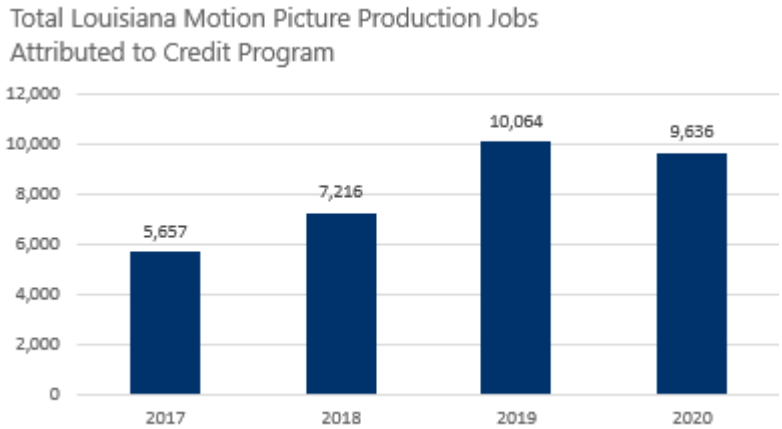
The Louisiana motion picture production tax credit was first implemented in 1992 and expanded ten years later to further facilitate the development of a self-supporting motion picture production industry. As noted in Camoin 310's 2019 report, *Economic and Fiscal Impact of Louisiana Entertainment Tax Credits*, recent changes to the program have been made. Legislative changes made in 2017 enhanced the program by providing predictability to those applying for credits regarding how much they will be able to access each year. Today, the maximum amount of credits that can be issued by LED in a fiscal year is capped at $150 million. There is also a $180 million cap on the amount of credits that can be claimed or redeemed at the Louisiana Department of Revenue (LDR). The program provides up to a 40% tax credit, which includes a 25% base credit, a 10% increase for Louisiana screenplay productions, and a 5% increase if the production is outside of the New Orleans MSA. To be eligible, 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 productions. Since 2017, total certified spending within the industry has increased.

Figure 1



Source: Louisiana Economic Development

Figure 2



Source: Emsi, Louisiana Economic Development

ROLE OF THE LOUISIANA MOTION PICTURE PRODUCTION TAX CREDIT

Interviews with eight (8) entertainment professionals were conducted to gather information about the role of the tax credit program in attracting productions to Louisiana, the perception of Louisiana's incentive program, and current trends within the industry. The following is a summary of the major themes from this research.

IMPACT OF THE TAX CREDIT PROGRAM

- Over the last few years, Louisiana's motion picture industry has benefitted from a shift towards more episodic work and the production of television shows within the state. The result has been long term commitments that employ people for longer periods and create recurring revenue streams within the state.
- Interviewees believe that the motion picture production tax credit program supports an industry that would otherwise not exist within the state. This has created opportunities for residents to be exposed to the industry early in their careers and for residents to continue to live and work in Louisiana. Outside of the direct jobs that the industry creates, the presence of the film industry supports diverse employment opportunities throughout the state, including in hotels, restaurants, retail, construction, and hardware stores, among others.
- While the incentive program is a critical factor in attracting productions to Louisiana, other competitive factors that make the state attractive to productions are the accessible size and ease of navigation of the state, streamlined permitting processes, and finally cost-effective food, gas, and lodging options. Additionally, the existing industry presence and steady flow of production work have created a local crew base that is well trained and skilled at their roles.
- Local perception of past revisions to the program are largely positive, however, there is a desire for even more support of local production talent.

COVID-19 DISRUPTIONS AND IMPACT

- COVID-19 has caused significant impacts to most industries – a problem that is not limited to Louisiana or the motion picture production and exhibition industry. While a significant amount of production work was forced to halt in 2020, there has been a focus on continuing to get work done, and even expand, where possible. Post-production efforts for example, which are relatively well suited to remote work, picked up when productions slowed.
- An extended pause in production has resulted in pent-up demand. Interest in initiating new projects began to pick up towards the end of 2020, albeit with a cautious eye on the ongoing pandemic.
- As filming has resumed, COVID-19 prevention measures have created additional cost for productions. Personal protective equipment (PPE), testing, potential delays, and distancing requirements have created additional financial burdens for all productions.

COVID-19

Beginning in March 2020, the COVID-19 pandemic and related prevention measures forced business closures and paused production activity. The impacts of the pandemic continue to be felt and as of the writing of this report, it remains unknown what the full impact on the motion picture production industry will be.

METHODOLOGY

Louisiana Entertainment, a division of Louisiana Economic Development, administers the motion picture production tax credit program. In addition, the total certified spending and payroll amounts are verified by a Certified Public Accountant (CPA) before any credit is issued by LED. The total Louisiana spending and earnings were provided to Camoin 310, by the program for projects having credits certified in 2019 and 2020.

Camoin 310 employed the following methodology to calculate the economic impact of the Louisiana motion picture production tax credit program. *This impact analysis report does not take into consideration any decrease in state funding for other programs or public services.*

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 program – these figures were used as the direct input into the model. This information was provided by Louisiana Entertainment and reviewed by Camoin 310. 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 two major six-digit NAICS industries covering Louisiana's motion picture production industry. These categories represent the dominant industries within Louisiana's greater film 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.

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 2019 or 2020. For example, if a person is employed full-time in 2019 and 2020 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).

ECONOMIC IMPACT ANALYSIS

Table 1 shows total Louisiana spending and earnings in 2019 and 2020 associated with the motion picture production tax credit program, as reported in the tax credit application and provided by Louisiana Entertainment. In total, credit-eligible projects accounted for over $538 million in spending in 2019 and nearly $430 million in 2020. Additionally, these projects generated nearly $168 million in earnings in 2019 and nearly $158 million in earnings in 2020.

Table 1

Total Louisiana Spending and Earnings by Credit Eligible Programs Motion Picture Production

	Spending	Earnings
2019	$538,472,660	$167,507,104
2020	$429,591,440	$157,669,410

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.

TOTAL MOTION PICTURE PRODUCTION INDUSTRY IMPACT ANALYSIS

ECONOMIC IMPACT – 2019

As shown below, the Louisiana motion picture production tax credit programs resulted in an additional $478 million in new indirect and induced sales in 2019, adding a total of over $1.0 billion in new spending. This spending supported over 10,000 jobs, including over 4,800 direct jobs, as well as over $358 million in earnings.

ECONOMIC IMPACT – 2020

As shown below, the Louisiana motion picture production tax credit programs resulted in an additional $384 million in new indirect and induced sales in 2020, adding a total of over $813 million in new spending. This spending supported over 9,600 jobs, including nearly 4,700 direct jobs, as well as over $338 million in earnings.

Table 2

Economic Impact of Motion Picture Production

	2019			2020		
	Sales	Jobs	Earnings	Sales	Jobs	Earnings
Direct	$538,472,660	4,834	$167,507,104	$429,591,440	4,695	$157,669,410
Indirect	$218,419,193	2,795	$86,991,190	$178,172,259	2,693	$84,266,860
Induced	$259,647,458	2,435	$103,618,734	$205,423,542	2,249	$96,463,268
Total	**$1,016,539,310**	**10,064**	**$358,117,028**	**$813,187,241**	**9,636**	**$338,399,538**

Source: Louisiana Economic Development, Camoin 310, Emsi

FISCAL IMPACT ANALYSIS

Beyond the economic impacts calculated above, there are also fiscal impacts of the motion picture production 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 motion picture production tax credit program.

IMPACTS ON STATE AND LOCAL REVENUE

IMPACTS ON STATE REVENUE

Table 3 calculates the state revenue that is generated because of the motion picture production tax credit program's economic activity. It is estimated that the portion of worker earnings that generate revenue for the state is approximately 8.7%. Using total new earnings calculated above and applying 8.7%[1], over $31 million in new state revenue in 2019 and over $29 million in 2020 were generated.

Table 3

Fiscal Impact of the Motion Picture Production Tax Credit Programs on State Revenue

	2019	2020
Total New Earnings	$358,117,028	$338,399,538
State Revenue Generated from Earnings	8.70%	8.70%
Total New State Revenue	**$31,156,181**	**$29,440,760**

Source: State of Louisiana, Camoin 310

IMPACTS ON LOCAL REVENUE

Table 4 calculates the amount of tax revenue that local agencies received in 2019 and 2020 as a result of the economic activity generated by the motion picture production tax credit program. Camoin 310 calculated the proportion of entertainment industry spending associated with credit-eligible projects (total sales figure from the above table) relative to total sales across all industries in 2019 and 2020. This percentage was then applied to Louisiana's total local tax collections in 2019 and 2020 to determine the portion of tax collections attributable to the motion picture production tax credit program.

Source: Louisiana Economic Development

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 motion picture production industry activity makes up a certain percentage of the state's total economic activity, and

[1] As determined in the 2019 study, *Economic and Fiscal Impact of Louisiana Entertainment Tax Credits* conducted by Camoin 310 with Louisiana Entertainment. Camoin 310 worked with the state to determine the portion of workers' earnings that generate revenue for Louisiana.

therefore, the entertainment industry accounts for a similar percentage of the local jurisdictions' revenue.

In total, the motion picture production tax credit program resulted in $21.9 million in new local tax revenue in 2019 and $16.9 million in 2020.

Table 4

Fiscal Impact of the Motion Picture Production Tax Credit Programs on Local Revenue

	2019		2020	
Total New Sales Attributable to Program		$1,016,539,310		$813,187,241
Total State Sales in 2019		$532,798,332,069		$532,798,332,069
% of All Sales		0.19%		0.15%
	Total Public Collections (FY19)	Tax Generated (0.19%)	Total Public Collections (FY20)	Tax Generated (0.15%)
Local Revenue	$11,467,036,986	**$21,878,248**	$11,061,877,236	**$16,883,269**

*Total local revenue estimated based on 2018 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 310

TOTAL IMPACT ON PUBLIC REVENUE

Combining the state revenue and local revenue calculated above, the below table shows the total impact of the entertainment tax credit programs on public revenue streams.

Table 5

Total Impact of the Motion Picture Production Tax Credit Program on State and Local Revenue

	2019	2020
New State Revenue	$31,156,181	$29,440,760
New Local Revenue	$21,878,248	$16,883,269
Total New Public Revenue	**$53,034,429**	**$46,324,029**

Source: Camoin 310

RETURN ON INVESTMENT

The State is essentially investing in the motion picture production industry in Louisiana through the use of the tax credit program. When considering the return on that investment, there are several 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 motion picture production tax credit program on the state's finances, overall state resident earnings, and industry sales.

ADDITIONAL PUBLIC REVENUE PER DOLLAR OF TAX CREDIT

STATE AND LOCAL TAX REVENUE

As calculated in the previous section, the motion picture production tax credit program generated over $53 million in additional state and local tax revenue in 2019 and over $46 million in 2020. With nearly $176 million in credits certified in 2019 and nearly $133 million certified in 2020, this means that the return on investment for the motion

picture production program is approximately 0.30, or about 30 cents in tax revenue for every dollar of the tax credit, in 2019, and approximately 0.35 in 2020. 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, this type of analysis is based on the best available data and readers should expect a slight margin of error in the Return on Investment (ROI) of approximately 10%+/-.

Table 6

Return on Investment of the Motion Picture Production Tax Credit Program - State and Local Tax Revenue

	2019	2020
State and Local Tax Revenue	$53,034,429	$46,324,029
Credits Certified	$175,781,104	$132,804,928
Return on Investment	**0.30**	**0.35**

Source: Camoin 310

STATE TAX REVENUE

Louisiana's state government issues the tax credits and bears the cost of doing so. Therefore, a more conservative calculation of the program's return on investment excludes local tax revenue collected as a result of the program. The motion picture production tax credit program generated over $31 million in additional state tax revenue in 2019 and over $29 million in 2020. This means that the return on investment for the motion picture production program is approximately 0.18, or about 18 cents in tax revenue for every dollar of the tax credit in 2019, and approximately 0.22 in 2020. Again, this is a conservative calculation based only on state tax revenue generated and the recognition that the state covers the cost of the credits issued.

Table 7

Return on Investment of the Motion Picture Production Tax Credit Program - State Tax Revenue

	2019	2020
State Tax Revenue	$31,156,181	$29,440,760
Credits Certified	$175,781,104	$132,804,928
Return on Investment	**0.18**	**0.22**

Source: Camoin 310

DYNAMIC IMPACT OF PROGRAMS ON STATEWIDE EARNINGS AND SALES

As shown in the Economic Impact Analysis, the motion picture production 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. Specifically:

- For every one dollar of credits certified, there was an additional $2.04 in earnings in 2019 and $2.55 in earnings in 2020.
- For every one dollar of credits certified, there was an additional $5.78 in sales in 2019 and $6.12 in 2020.

Table 8

Dynamic Impact of the Motion Picture Production Tax Credit Program on Earnings and Sales

Additional Resident Earnings		
	2019	2020
Total Earnings	$358,117,028	$338,399,538
Total Credits Certified	$175,781,104	$132,804,928
Tax Credit Multiplier on Earnings	**2.04**	**2.55**
Additional Statewide Sales		
	2019	2020
Total Sales	$1,016,539,310	$813,187,241
Total Credits Certified	$175,781,104	$132,804,928
Tax Credit Multiplier on Sales	**5.78**	**6.12**

Source: Camoin 310

ATTACHMENT A: WHAT IS 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, USA. 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 US 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 US 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 canceled 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 US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US 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.

Leading action to grow your economy

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LIVE PERFORMANCE PRODUCTION PROGRAM, 2019-2020

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THE PROJECT TEAM

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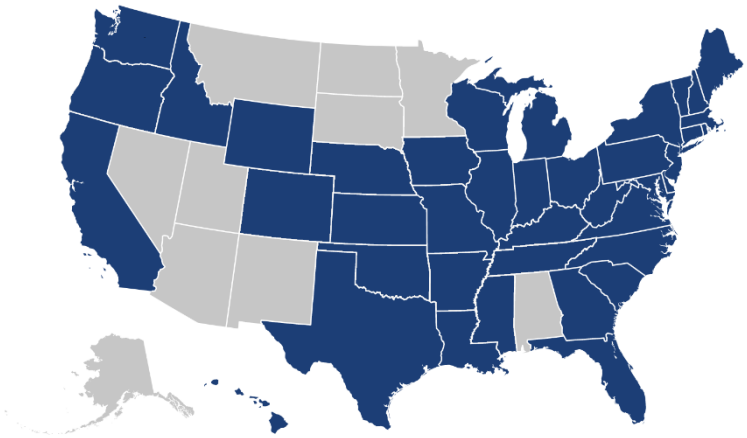


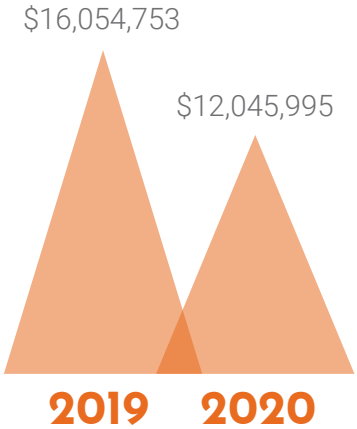
LOUISIANA ENTERTAINMENT

ECONOMIC IMPACT OF THE LIVE PERFORMANCE TAX CREDIT

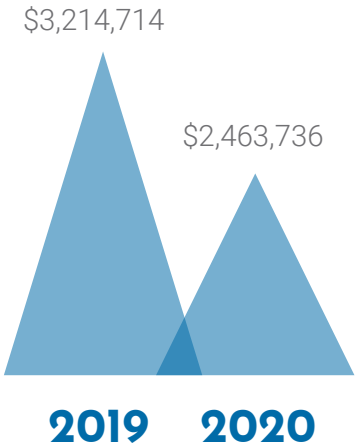
Louisiana's Musical and Theatrical Production Income Tax Credit (live performance) incentivizes investment in Louisiana-based productions. This program helps to attract and retain jobs and generates investment in Louisiana's economy, and promotes investment in musical and theatrical production infrastructure.

The report includes expenditures certified in 2019 and 2020, of which the actual spending likely occurred in previous years and quantifies the economic and fiscal impacts of the live performance tax credit program on the state.

TOTAL CERTIFIED SPENDING



TOTAL CERTIFIED CREDITS



ANNUAL ECONOMIC ACTIVITY GENERATED

	JOBS	EARNINGS	SALES
2019	414	$11,014,078	$30,276,482
2020	456	$12,295,541	$22,786,799

TOTAL TAX REVENUE GENERATED

2019	2020
$1,609,844	$1,542,808

ADDITIONAL EARNINGS FOR LOUISIANA'S RESIDENTS

For every one dollar of credits certified, there was an additional:

2019	2020
$3.43	$4.99

in earnings in the state.

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INTRODUCTION

The purpose of this report is to quantify the economic and fiscal impacts generated by the Musical and Theatrical Production Income Tax Credit (live performance production program, or live performance) administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED).

As required by LA R.S. 47:6034(G), LED provisions a biennial review of the economic and fiscal impacts of these credits and has retained Camoin 310 to complete this review for the 2019 and 2020 calendar years.

The goals of the Louisiana Live Performance Tax Credit program are to encourage investment and job creation within Louisiana. The purpose of this analysis is to calculate the impact of the tax credit program on the state's economy.

HISTORY OF THE LIVE PERFORMANCE PRODUCTION PROGRAM

The Musical and Theatrical Production Income Tax Credit was implemented in 2007 to encourage investment in productions that originate in the state of Louisiana.

Today, this program offers up to an 18% tax credit on Louisiana expenditures, in addition to a 7% tax credit on resident payroll. The tax credit value increases with total production expenditures. Since 2017, the total number of live production jobs attributed to the program has increased from 439 to 456 in 2020, although certified spending has decreased since peaking in 2014. This is likely attributed to the sunset of the infrastructure portion of the tax credit program.

Figure 1

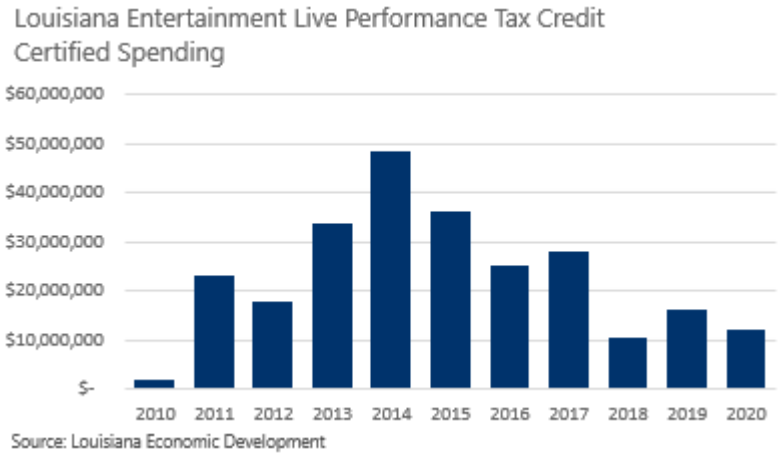
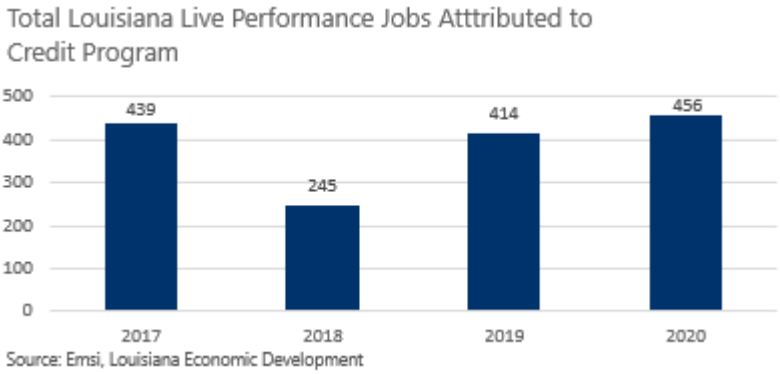


Figure 2



ROLE OF THE LOUISIANA INCENTIVE PROGRAMS

Interviews with eight entertainment professionals were conducted to gather information about the role of the tax credit program in attracting the industry to Louisiana, the perception of Louisiana's incentive program, and current trends within the industry including the impact of the COVID-19 pandemic. The following is a summary of the major themes from this research.

Source: Louisiana Economic Development

IMPACT OF THE TAX CREDIT PROGRAM

- The tax credit program brings live performances to Louisiana that wouldn't otherwise exist in the state. Production companies target Louisiana as a result of the unique program and interviewees noted that there is not a comparable incentive elsewhere within the live performance space. Without the incentive program, interviewees noted that productions would seek out other locations in larger markets.
- The incentive continues to drive live performance programming to focus on Louisiana performers and venues. According to interviewees, fewer live performance programs would be produced in-state without the incentive.
- Within the state, there is a focus on using live performances to celebrate the community. Interviewees noted that there is a growing trend of focusing on bringing in new voices and diverse perspectives to performances as a way to celebrate Louisiana's unique culture.

COVID-19 DISRUPTIONS AND IMPACT

- Unsurprisingly, COVID-19 has been a significant challenge for live performances.
- To adapt to new regulations and capacity restrictions, many live performances are exploring the use of distance seating to ensure the safety of both the performers as well as the audience.
- Interviewees noted that live performance organizations are employing a variety of creative tactics to get through the pandemic. This includes hybrid seasons with virtual performances, outdoor shows where possible, and popup shows.

COVID-19

Beginning in March 2020, the COVID-19 pandemic and related prevention measures forced business closures and paused live production activity. The impacts of the pandemic continue to be felt and as of the writing of this report, it remains unknown what live performances will look like in the future.

METHODOLOGY

Louisiana Entertainment, a division of Louisiana Economic Development, administers the live performance production program. In addition, the total certified spending and payroll amounts are verified by a Certified Public Accountant (CPA) before any credit is issued by LED. The total Louisiana spending and earnings were provided to Camoin 310, by the program for projects having credits certified in 2019 and 2020.

Camoin 310 employed the following methodology to calculate the economic impact of the Louisiana live performance tax credit program. *This impact analysis report does not take into consideration any decrease in state funding for other programs or public services.*

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 program – these figures were used as the direct input into the model. This information was provided by Louisiana Entertainment and reviewed by Camoin 310. 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 associates it with four six-digit NAICS codes that best capture industry activity. These codes represent Louisiana's live performance industry 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.

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 2019 or 2020. For example, if a person is employed full-time in 2019 and 2020 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).

ECONOMIC IMPACT ANALYSIS

Table 1 shows total Louisiana spending and earnings in 2019 and 2020 associated with the live performance tax credit program, as reported in tax credit applications and provided by Louisiana Entertainment. In total, credit-eligible projects accounted for over $16 million in spending in 2019 and over $12 million in 2020. These projects also accounted for over $5 million in earnings in 2019 and over $6 million in 2020.

Table 1

Total Louisiana Spending and Earnings by Credit Eligible Programs Live Performance Production

	Spending	Earnings
2019	$16,054,753	$5,445,436
2020	$12,045,995	$6,049,977

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.

TOTAL LIVE PRODUCTION INDUSTRY IMPACT ANALYSIS

ECONOMIC IMPACT – 2019

As shown below, the Louisiana live performance production program resulted in an additional approximately $14 million in new indirect and induced sales in 2019, adding a total of over $30 million in new spending. This spending supported 414 jobs, as well as over $11 million in earnings.

ECONOMIC IMPACT – 2020

As shown below, the Louisiana live performance production program resulted in an additional approximately $11 million in new indirect and induced sales in 2020, adding a total of nearly $23 million in new spending. This spending supported 456 jobs, as well as over $12 million in earnings.

Table 2

Economic Impact of Live Production

	2019			2020		
	Sales	Jobs	Earnings	Sales	Jobs	Earnings
Direct	$16,054,753	247	$5,445,436	$12,045,995	270	$6,049,977
Indirect	$6,062,351	94	$2,480,103	$4,670,715	106	$2,852,798
Induced	$8,159,377	73	$3,088,539	$6,070,089	80	$3,392,766
Total	**$30,276,482**	**414**	**$11,014,078**	**$22,786,799**	**456**	**$12,295,541**

Source: Louisiana Economic Development, Camoin 310, Emsi

FISCAL IMPACT ANALYSIS

Beyond the economic impacts calculated above, there are also fiscal impacts of the live performance 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 live performance tax credit program.

IMPACTS ON STATE AND LOCAL REVENUE

IMPACTS ON STATE REVENUE

Table 3 calculates the state revenue that is generated because of the live performance tax credit program's economic activity. It is estimated that the portion of worker earnings that generate revenue for the state is approximately 8.7%. Using the total new earnings calculated above and applying 8.7%[1], over $958,000 in new state revenue in 2019 and nearly $1.1 million in 2020 were generated.

Table 3

Fiscal Impact of the Live Production Tax Credit Programs on State Revenue

	2019	2020
Total New Earnings	$11,014,078	$12,295,541
State Revenue Generated from Earnings	8.70%	8.70%
Total New State Revenue	**$958,225**	**$1,069,712**

Source: State of Louisiana, Camoin 310

IMPACTS ON LOCAL REVENUE

The table below calculates the amount of tax revenue that local agencies received in 2019 and 2020 as a result of the economic activity generated by the live performance tax credit program. Camoin 310 calculated the proportion of live performance industry spending associated with credit-eligible projects (total sales figure from Table 2) relative to total sales across all industries in 2019 and 2020. This percentage was then applied to Louisiana's total local tax collections in 2019 and 2020 to determine the portion of tax collections attributable to the live performance 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 live performance industry activity makes up a certain percentage of the state's total economic activity, and therefore, the live performance industry accounts for a similar percentage of the local jurisdictions' revenue.

In total, the live performance tax credit program resulted in approximately $652,000 in new local tax revenue in 2019 and $473,000 in 2020.

[1] As determined in the 2019 study, *Economic and Fiscal Impact of Louisiana Entertainment Tax Credits* conducted by Camoin Associates with Louisiana Entertainment. Camoin 310 worked with the state to determine the portion of workers' earnings that generate revenue for Louisiana.

Table 4

Fiscal Impact of the Live Production Tax Credit Programs on Local Revenue

	2019		2020	
Total New Sales Attributable to Program		$30,276,482		$22,786,799
Total State Sales in 2019		$532,798,332,069		$532,798,332,069
% of All Sales		0.006%		0.004%
	Total Public Collections (FY19)	Tax Generated (0.006%)	Total Public Collections (FY20)	Tax Generated
Local Revenue	$11,467,036,986	**$651,619**	$11,061,877,236	**$473,096**

*Total local revenue estimated based on 2018 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 310

TOTAL IMPACT ON PUBLIC REVENUE

Combining the state revenue and local revenue calculated above, the below table shows the total impact of the live performance tax credit programs on public revenue streams.

Table 5

Total Impact of the Live Production Tax Credit Program on State and Local Revenue

	2019	2020
New State Revenue	$958,225	$1,069,712
New Local Revenue	$651,619	$473,096
Total New Public Revenue	**$1,609,844**	**$1,542,808**

Source: Camoin 310

RETURN ON INVESTMENT

The State is essentially investing in the live performance industry in Louisiana through the use of the tax credit program. 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 live performance tax credit program on the state's finances, overall state resident earnings, and industry sales.

Source: Louisiana Economic Development

ADDITIONAL PUBLIC REVENUE PER DOLLAR OF TAX CREDIT

STATE AND LOCAL TAX REVENUE

As calculated in the previous section, the live performance tax credit program generated over $1.6 million in additional state and local tax revenue in 2019 and over $1.5 million in 2020. With over $3.2 million in credits certified in 2019 and nearly $2.5 million certified in 2020, this means that the return on investment for live performance programs was approximately 0.50, or about 50 cents in tax revenue for every dollar of the tax credit, in 2019, and approximately 0.63 in 2020. 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, this type of analysis is based on the best available data and readers should expect a slight margin of error in the Return on Investment (ROI) of approximately +/- 10%.

Table 6

Return on Investment of the Live Production Tax Credit Program - State and Local Tax Revenue

	2019	2020
State and Local Tax Revenue	$1,609,844	$1,542,808
Credits Certified	$3,214,714	$2,463,736
Return on Investment	**0.50**	**0.63**

Source: Camoin 310

STATE TAX REVENUE

Louisiana's state government issues the tax credits and bears the cost of doing so. Therefore, a more conservative calculation of the program's return on investment excludes local tax revenue collected as a result of the program. The live performance tax credit program generated over $958,000 in additional state tax revenue in 2019 and nearly $1.1 million in 2020. This means that the return on investment for the live performance tax credit program is approximately 0.30, or about 30 cents in tax revenue for every dollar of the tax credit in 2019, and approximately 0.43 in 2020. Again, this is a conservative calculation based only on state tax revenue generated and the recognition that the state covers the cost of the credits issued.

Table 7

Return on Investment of the Live Production Tax Credit Program - State Tax Revenue

	2019	2020
State Tax Revenue	$958,225	$1,069,712
Credits Certified	$3,214,714	$2,463,736
Return on Investment	**0.30**	**0.43**

Source: Camoin 310

DYNAMIC IMPACT OF PROGRAMS ON STATEWIDE EARNINGS AND SALES

As shown in the Economic Impact Analysis, the live performance tax credit programs resulted in new earnings and sales for residents and businesses in Louisiana. Table 8 calculates how the credits issued resulted in economic activity in the state. Specifically:

- For every one dollar of credits certified, there was an additional $3.43 in earnings in 2019 and $4.99 in earnings in 2020.
- For every one dollar of credits certified, there was an additional $9.42 in sales in 2019 and $9.25 in 2020.

Table 8

Dynamic Impact of the Live Production Tax Credit Program on Earnings and Sales

Additional Resident Earnings		
	2019	2020
Total Earnings	$11,014,078	$12,295,541
Total Credits Certified	$3,214,714	$2,463,736
Tax Credit Multiplier on Earnings	**3.43**	**4.99**
Additional Statewide Sales		
	2019	2020
Total Sales	$30,276,482	$22,786,799
Total Credits Certified	$3,214,714	$2,463,736
Tax Credit Multiplier on Sales	**9.42**	**9.25**

Source: Camoin 310

ATTACHMENT A: WHAT IS 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, USA. 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 US 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 US 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 canceled 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 US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US 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.

Leading action to grow your economy

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Economic and Fiscal Impact

SOUND RECORDING INVESTOR TAX CREDIT, 2019-2020

Louisiana Entertainment

MARCH 2021

PREPARED BY:

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ABOUT CAMOIN 310

Camoin 310 has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin 310 has served EDOs and local and state governments from Maine to California; corporations and organizations that include Amazon, 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 over 1,000 projects in 40 states and garnered attention from national media outlets including Marketplace (NPR), Crain's New York Business, 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 Richmond, VA; Portland, ME; Boston, MA; 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.

THE PROJECT TEAM

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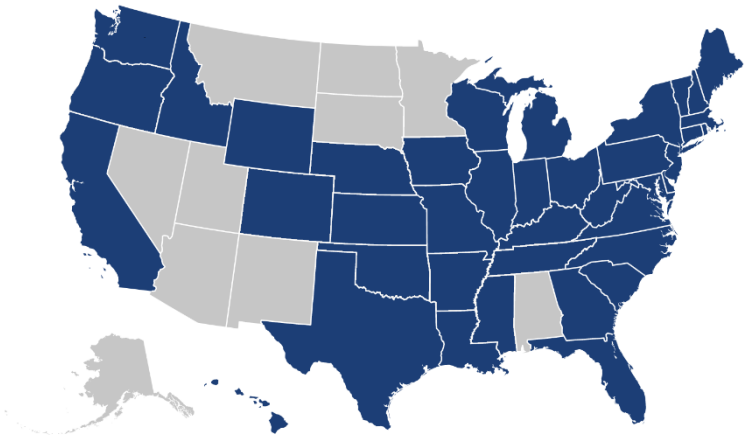


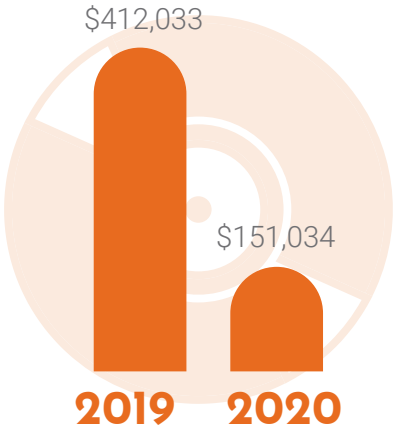
LOUISIANA ENTERTAINMENT

ECONOMIC IMPACT OF THE SOUND RECORDING TAX CREDIT

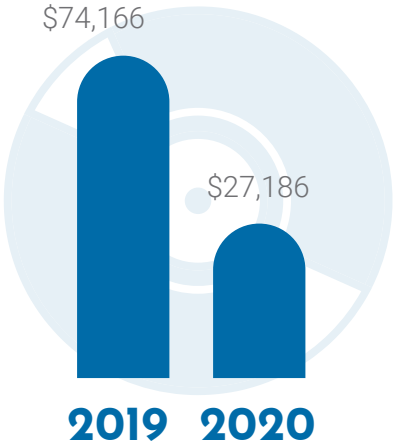
Louisiana's Sound Recording Investor Tax Credit incentivizes sound recording (the recording of music, poetry, or spoken word performance) made in or produced in Louisiana. This program helps to attract and retain jobs and generates investment in Louisiana's economy and promotes the state's overall entertainment industry.

The report includes expenditures certified in 2019 and 2020, of which the actual spending likely occurred in a previous year, and quantifies the economic and fiscal impacts of the sound recording tax credit program on the state.

TOTAL CERTIFIED SPENDING



TOTAL CERTIFIED CREDITS



ANNUAL ECONOMIC ACTIVITY GENERATED

	JOBS	EARNINGS	SALES
2019	6	$154,132	$614,787
2020	3	$56,492	$224,868

TOTAL TAX REVENUE GENERATED

2019	2020
$41,226	$9,584

ADDITIONAL EARNINGS FOR LOUISIANA'S RESIDENTS

For every one dollar of credits certified, there was an additional:

2019	2020
$2.08	$2.08

in earnings in the state.

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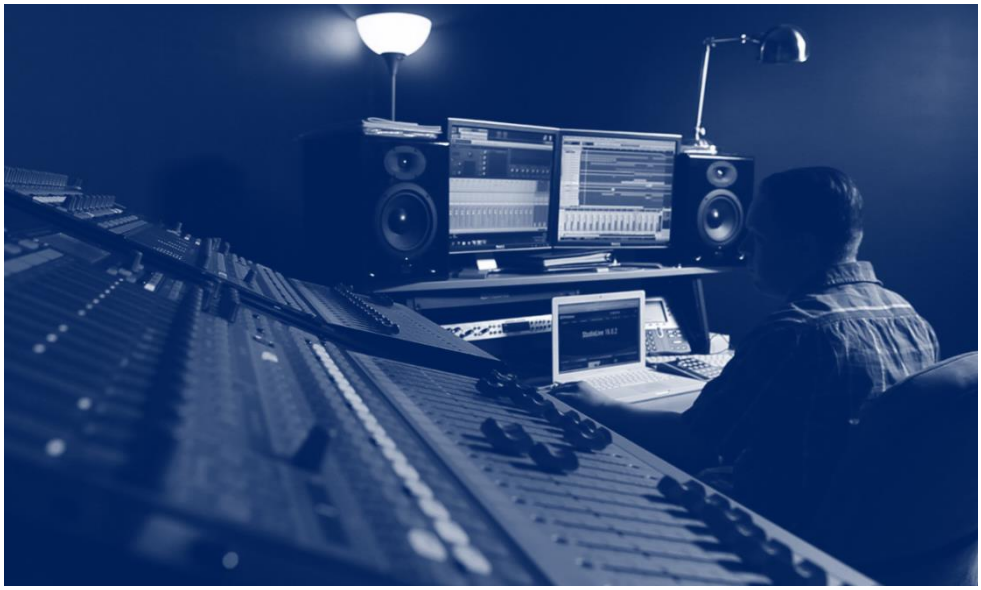

Source: Louisiana Economic Development

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INTRODUCTION

The purpose of this report is to quantify the economic and fiscal impacts generated by the Sound Recording Investor Tax Credit (sound recording program) administered by the Office of Entertainment Industry Development (OEID) within the Louisiana Department of Economic Development (LED).

As required by LA R.S. 47:6023(D)(5), LED provisions a biennial review of the economic and fiscal impacts of these credits and has retained Camoin 310 to complete this review for the 2019 and 2020 calendar years.

The goals of the Louisiana sound recording tax credit program is to encourage investment and job creation within Louisiana. The purpose of this analysis is to calculate the impact of the tax credit program on the state's economy.

OVERVIEW OF THE SOUND RECORDING INVESTOR TAX CREDIT

The sound recording program incentivizes sound recording, defined as a recording of music, poetry, or spoken-word performance made in Louisiana and produced in Louisiana in whole or in part. The program provides an 18% tax credit for eligible production expenditures, for which $25,000 minimum expenditures are required (or $10,000 for Louisiana residents). Eligible expenditures include studio rental fees and associated costs, artist and musician salaries, producer fees, instrument and equipment rentals, and travel expenses, among others.

Certified spending under this program has trended slightly upwards since 2017, though remaining relatively flat. The trend in industry jobs attributed to the program has been similar, with a small increase occurring in 2019.

Figure 1

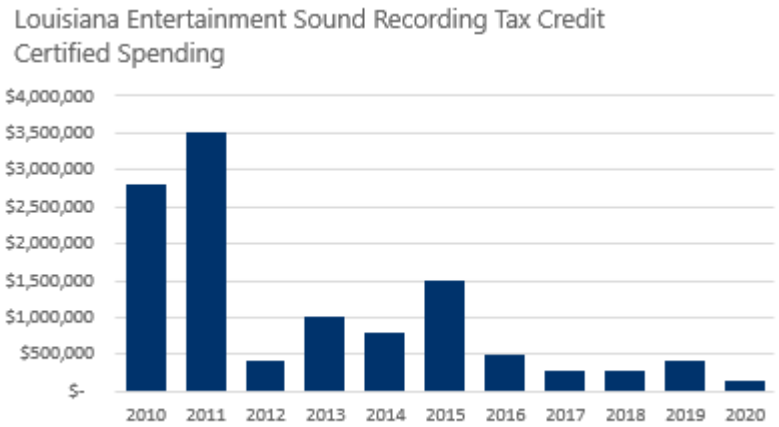

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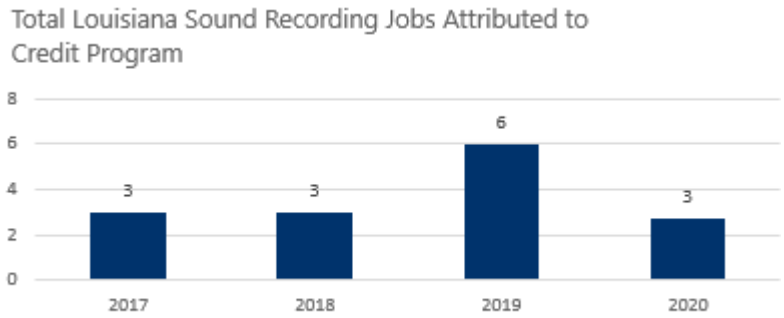
Figure 2



Source: Emsi, Louisiana Economic Development

ROLE OF THE LOUISIANA INCENTIVE PROGRAM

Interviews with eight entertainment professionals were conducted to gather information about the role of the tax credit program in attracting productions to Louisiana, the perception of Louisiana's incentive program, and current trends within the industry including the impact of the COVID-19 pandemic. The following is a summary of the major themes from this research related to the sound recording program.

IMPACT OF THE TAX CREDIT PROGRAM

- According to interviewees, Louisiana's sound recording industry has been bolstered by the incentive program. The incentive has helped develop industry opportunities that allow for sound recording professionals to work in-state.
- Sound recording professionals who live in Louisiana are able to bring business to the state that would otherwise occur out of state. For example, interviewees pointed to the ability to record music in Louisiana for motion picture productions that are being produced outside of Louisiana.

COVID-19 DISRUPTIONS AND IMPACT

- As with other industries, professionals in the sound recording industry have been creative in their approaches to adapting to COVID-19 constraints. Recording work was well suited to social distancing and remote work, and virtual content including live albums have become popular within the industry.
- Interviewees noted that those who pivoted early on in the pandemic were able to expand these lines of business in 2020. The normal workflow is beginning to pick back up and it is expected that 2021 will be a strong year given pent-up demand from motion picture productions and other segments of the entertainment industry.

COVID-19

Beginning in March 2020, the COVID-19 pandemic and related prevention measures forced business closures and paused production activity. The impacts of the pandemic continue to be felt and as of the writing of this report, it remains unknown how the impacts will continue to play out in the sound recording industry.

METHODOLOGY

Louisiana Entertainment, a division of Louisiana Economic Development, administers the Sound Recording Investor Tax Credit program. In addition, the total certified spending and payroll amounts are verified by a Certified Public Accountant (CPA) before any credit is issued by LED. The total Louisiana spending and earnings were provided to Camoin 310, by the program for projects having credits certified in 2019 and 2020.

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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 2019 or 2020. For example, if a person is employed full-time in 2019 and 2020 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).

ECONOMIC IMPACT ANALYSIS

Table 1 shows the total Louisiana spending in 2019 and 2020 associated with the sound recording tax credit program, as reported in tax credit applications and provided by Louisiana Entertainment. In total, credit-eligible projects accounted for over $412,000 in spending in 2019 and over $151,000 in 2020.

Table 1

Total Louisiana Spending by Credit Eligible Programs Sound Recording

	Spending
2019	$412,033
2020	$151,034

Source: Louisiana Economic Development

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

TOTAL SOUND RECORDING INDUSTRY IMPACT ANALYSIS

ECONOMIC IMPACT – 2019

As shown below, the Louisiana sound recording tax credit program resulted in an additional approximately $203,000 in new indirect and induced sales in 2019, adding a total of nearly $615,000 in new spending. This spending supported 6 jobs, as well as over $154,000 in earnings.

ECONOMIC IMPACT – 2020

As shown below, the Louisiana sound recording tax credit program resulted in an additional approximately $74,000 in new indirect and induced sales in 2020, adding a total of nearly $225,000 in new spending. This spending supported 3 jobs, as well as over $56,000 in earnings.

Table 2

Economic Impact of Sound Recording

	2019			2020		
	Sales	Jobs	Earnings	Sales	Jobs	Earnings
Direct	$412,033	5	$72,721	$151,034	2	$26,765
Indirect	$34,639	0	$13,713	$13,044	0	$5,227
Induced	$168,115	1	$67,698	$60,790	1	$24,501
Total	**$614,787**	**6**	**$154,132**	**$224,868**	**3**	**$56,492**

Source: Louisiana Economic Development, Camoin 310, Emsi

FISCAL IMPACT ANALYSIS

Beyond the economic impacts calculated above, there are also fiscal impacts of the sound recording 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 sound recording tax credit program.

IMPACTS ON STATE AND LOCAL REVENUE

IMPACTS ON STATE REVENUE

Table 3 calculates the state revenue that is generated because of the sound recording tax credit program's economic activity. It is estimated that the portion of worker earnings that generate revenue for the state is approximately 8.7%. Using total new earnings calculated above and applying 8.7%[1], over $13,000 in new state revenue in 2019 and nearly $5,000 in 2020 were generated.

Table 3

Fiscal Impact of the Sound Recording Tax Credit Program on State Revenue

	2019	2020
Total New Earnings	$154,132	$56,492
State Revenue Generated from Earnings	8.70%	8.70%
Total New State Revenue	**$13,409**	**$4,915**

Source: State of Louisiana, Camoin 310

IMPACTS ON LOCAL REVENUE

The table below calculates the amount of tax revenue that local agencies received in 2019 and 2020 as a result of the economic activity generated by the sound recording tax credit program. Camoin 310 calculated the proportion of sound recording industry spending associated with credit-eligible projects (total sales figure from Table 2) relative to total sales across all industries in 2019 and 2020. This percentage was then applied to Louisiana's total local tax collections in 2019 and 2020 to determine the portion of tax collections attributable to the sound recording 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 sound recording industry activity makes up a certain percentage of the state's total economic activity, and therefore, the sound recording industry accounts for a similar percentage of local jurisdictions' revenue.

In total, the sound recording tax credit program resulted in $13,000 in new local tax revenue in 2019 and $5,000 in 2020.

[1] As determined in the 2019 study, *Economic and Fiscal Impact of Louisiana Entertainment Tax Credits* conducted by Camoin Associates with Louisiana Entertainment. Camoin 310 worked with the state to determine the portion of workers' earnings that generate revenue for Louisiana.

Table 4

Fiscal Impact of the Sound Recording Tax Credit Programs on Local Revenue

		2019		2020
Total New Sales Attributable to Program		$614,787		$224,868
Total State Sales in 2019		$532,798,332,069		$532,798,332,069
% of All Sales		0.0001%		0.00004%
	Total Public Collections (FY19)	Tax Generated (0.0001%)	Total Public Collections (FY20)	Tax Generated (0.00004%)
Local Revenue	$11,467,036,986	**$13,232**	$11,061,877,236	**$4,669**

*Total local revenue estimated based on 2018 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 310

TOTAL IMPACT ON PUBLIC REVENUE

Combining the state revenue and local revenue calculated above, the below table shows the total impact of the sound recording tax credit programs on public revenue streams.

Table 5

Total Impact of the Sound Recording Tax Credit Program on State and Local Revenue

	2019	2020
New State Revenue	$13,409	$4,915
New Local Revenue	$27,817	$4,669
Total New Public Revenue	**$41,226**	**$9,584**

Source: Camoin 310

RETURN ON INVESTMENT

The State is essentially investing in the sound recording industry in Louisiana through the use of the tax credit program. 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 sound recording tax credit program on the state's finances, overall state resident earnings, and industry sales.

ADDITIONAL PUBLIC REVENUE PER DOLLAR OF TAX CREDIT

STATE AND LOCAL TAX REVENUE

As calculated in the previous section, the sound recording tax credit program generated over $41,000 in additional state and local tax revenue in 2019 and nearly $10,000 in 2020. With over $74,000 in credits certified in 2019 and over $27,000 certified in 2020, this means that the return on investment for sound recording programs was approximately 0.56, or about 56 cents in tax revenue for every dollar of the tax credit in 2019, and 0.35 in 2020. 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, this type of analysis is based on the best available data and readers should expect a slight margin of error in the Return on Investment (ROI) of approximately +/- 10%.

Table 6

Return on Investment of the Sound Recording Tax Credit Program - State and Local Tax Revenue

	2019	2020
State and Local Tax Revenue	$41,226	$9,584
Credits Certified	$74,166	$27,186
Return on Investment	**0.56**	**0.35**

Source: Camoin 310

STATE TAX REVENUE

Louisiana's state government issues the tax credits and bears the cost of doing so. Therefore, a more conservative calculation of the program's return on investment excludes local tax revenue collected as a result of the program. The sound recording tax credit program generated over $13,000 in additional state tax revenue in 2019 and nearly $5,000 in 2020. This means that the return on investment for the sound recording tax credit program is approximately 0.18, or about 18 cents in tax revenue for every dollar of the tax credit in 2019 and 2020. Again, this is a conservative calculation based only on state tax revenue generated and the recognition that the state covers the cost of the credits issued.

Table 7

Return on Investment of the Sound Recording Tax Credit Program - State Tax Revenue

	2019	2020
State Tax Revenue	$13,409	$4,915
Credits Certified	$74,166	$27,186
Return on Investment	**0.18**	**0.18**

Source: Camoin 310

DYNAMIC IMPACT OF PROGRAMS ON STATEWIDE EARNINGS AND SALES

As shown in the Economic Impact Analysis, the sound recording tax credit programs resulted in new earnings and sales for residents and businesses in Louisiana. Table 8 calculates how the credits issued resulted in economic activity in the state. Specifically:

- For every one dollar of credits certified, there was an additional $2.08 in earnings in 2019 and $2.08 in earnings in 2020.
- For every one dollar of credits certified, there was an additional $8.29 in sales in 2019 and $8.27 in 2020.

Table 8

Dynamic Impact of the Sound Recording Tax Credit Program on Earnings and Sales

Additional Resident Earnings		
	2019	2020
Total Earnings	$154,132	$56,492
Total Credits Certified	$74,166	$27,186
Tax Credit Multiplier on Earnings	**2.08**	**2.08**
Additional Statewide Sales		
	2019	2020
Total Sales	$614,787	$224,868
Total Credits Certified	$74,166	$27,186
Tax Credit Multiplier on Sales	**8.29**	**8.27**

Source: Camoin 310

ATTACHMENT A: WHAT IS 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, USA. 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 US 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 US 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 canceled 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 US from Korea and Japan), locating a manufacturer of DVD players in the US will cause a change in final demand because all of those dollars currently leaving the US 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.

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