



Report Highlights

Louisiana Department of Economic Development & Department of Revenue

Motion Picture Tax Credit Program

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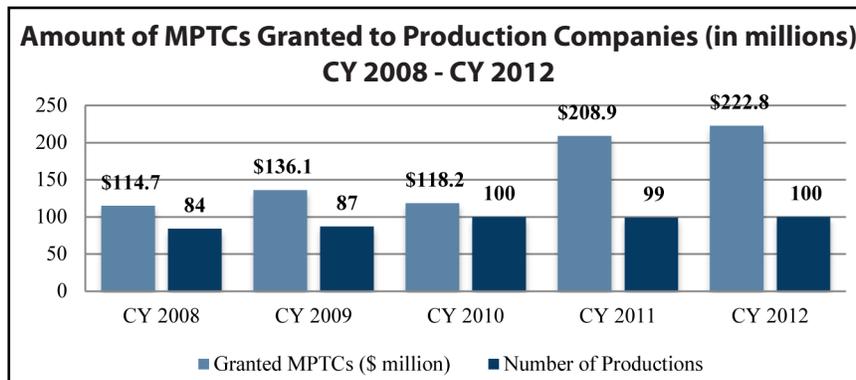
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Why We Conducted This Audit

We conducted this audit to determine how the Louisiana Department of Economic Development (LED) measures the economic and fiscal impact of the Motion Picture Tax Credit (MPTC) program and to evaluate the processes LED and the Louisiana Department of Revenue (LDR) use to administer the program.

What We Found

The purpose of the MPTC program is to encourage the development of a strong capital and infrastructure base for motion picture production to achieve an independent, self-supporting industry. The program is administered by LED and LDR. Between calendar years 2008 and 2012, the motion picture tax credits (credits) granted by LED increased from \$114.7 million to \$222.8 million, an increase of 94%.



- According to the most recent analysis issued in April 2011, every \$1 of credits issued by LED during calendar year 2010 generated \$5.40 in the state economy. While this indicates that the economic output of the MPTC program is positive, the overall fiscal impact to state government is negative. According to the same analysis, the state received \$27 million in tax revenue from the \$196.8 million in credits LED issued in calendar year 2010. This resulted in a net cost to the state of \$169.8 million for 2010 alone. LED determines the economic and fiscal impact of the MPTC program through a third-party consultant.
- LED's process for granting credits provided reasonable assurance that credits were granted for only eligible expenditures. However, this process could be strengthened if LED had some authority or role in selecting the certified public accountants used by the production companies to audit their cost reports.
- LED accurately calculated the credits for the majority of productions. However, LED incorrectly calculated the amount of some credits when a production was certified around the time statutory changes were made to the rates.
- LED did not collect all the required transfer processing fees. According to state law, LED should collect a processing fee of up to \$200 per transferee for all transferred MPTCs; however, LED did not begin collecting this fee until October 2010. The legislature authorized this fee in 2004. We estimate that a minimum of \$408,400 was not collected in fees for the 2007 tax year alone.
- LDR ensured taxpayers claimed only the credits and amounts that they were entitled to claim and that they submitted the required documentation.

See LED's and LDR's full responses in Appendices A and B of the report.