

Revenue Information Bulletin No. 12-017

March 26, 2012

**Individual Income, Corporation Income and Corporation Franchise Tax
Changes to the Digital Interactive Media and Software Tax Credit**

Act 454 of the 2009 Legislative Session made significant changes to the digital interactive media tax credit program. After July 1, 2009, the digital interactive media credits can be used to offset Louisiana income and franchise taxes; prior to this date, the credits could only offset Louisiana income tax. Additionally, after July 1, 2009, productions are eligible for credits of 25% of base investment and an additional 10% credit for base investment amounts spent on payroll. The Act makes several changes to definitions for the credit which are technical in nature. The effective date of the Act is July 1, 2009.

Additionally, Act 415 of the 2011 Legislative Session made changes to the digital interactive media and software tax credit program. For expenditures incurred on or after January 1, 2012, the Act makes the credits refundable. In an alternative to the refundable credit, the Act allows the digital media or software company to make a one-time election to receive a rebate equal to 85% of the face value of the credit whenever the credits are certified. Act 415 also prohibits the stacking of other Louisiana Economic Development (LED) credits for expenditures claimed under the digital interactive media and software tax credit program.

Projects where Applications for State-Certified Productions are Made to LED Prior to July 1, 2009:

A. For Expenditures Incurred Prior to January 1, 2012:

- Credits are nonrefundable, transferable credits with a 10-year carryover period.
- The credits will be allowed to offset state income tax liabilities only.
- Percentages of credit are determined as follows: 1) 20% of base investments each year for the first and second years following certification; 2) 15% of base investments each year for the third and fourth years following certification; and 3) 10% of base investments each year for the fifth and sixth years following certification.
- No additional credit for the percentage of base investment spent of payroll of Louisiana residents employed in connection with a state-certified production is allowed.
- The credits will be claimed on Schedule G of Form IT-540 for individuals claiming the credit, on Schedule NRC of Form CIFT-620 for corporations claiming the credit and on Line 14B of Form IT-541 for trusts and estates filing fiduciary returns claiming the credit. Any nonrefundable credits in excess of the taxpayer's tax liability may be carried forward to the next taxable year or sold to another Louisiana taxpayer.

B. For Expenditures Incurred on or after January 1, 2012:

- Credits are refundable and contain no transferability or carryover provisions.
- The credits will be allowed to offset state income tax liabilities only.
- Percentages of credit are determined as follows: 1) 20% of base investments each year for the first and second years following certification; 2) 15% of base investments each year for the third and fourth years following certification; and 3) 10% of base investments each year for the fifth and sixth years following certification.
- No additional credit for the percentage of base investment spent of payroll of Louisiana residents employed in connection with a state-certified production is allowed.
- The credits will be claimed on Schedule F of Form IT-540 for individuals claiming the credit, on Schedule RC of Form CIFT-620 for corporations claiming the credit and on Line 14B of Form IT-541 for trusts and estates filing fiduciary returns claiming the credit. The credits cannot be carried forward or transferred.
- At final certification, the taxpayer may elect to take an 85% rebate instead of the refundable credit. The rebate shall be claimed on a form as provided by LED.

Projects where Applications for State-Certified Productions are Made to LED On or After July 1, 2009:

A. For Expenditures Incurred Prior to January 1, 2012:

- Credits are nonrefundable, transferable credits with a 10-year carryover period.
- Credits will be allowed to offset state income and franchise tax liabilities.
- The digital interactive media or software company will earn credits at a rate of 25% of base investment in all years.
- An additional credit equal to 10% of base investment expended on payroll of Louisiana residents employed in connection with a state-certified production will be granted.
- The credits will be claimed on Schedule G of Form IT-540 for individuals claiming the credit, on Schedule NRC of Form CIFT-620 for corporations claiming the credit and on Line 14B of Form IT-541 for trusts and estates filing fiduciary returns claiming the credit. Any nonrefundable credits in excess of the taxpayer's tax liability may be carried forward to the next taxable year or sold to another Louisiana taxpayer.

B. For Expenditures Incurred on or after January 1, 2012:

- Credits are refundable and contain no transferability or carryover provisions.
- Credits will be allowed to offset state individual or corporate income tax liability.

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- The digital interactive media or software company will earn credits at a rate of 25% of based investment in all years.
- An additional credit equal to 10% of base investment expended on payroll of Louisiana residents employed in connection with a state-certified production will be granted.
- The credits will be claimed on Schedule F of Form IT-540 for individuals claiming the credit and on Schedule RC of Form CIFT-620 for corporations claiming the credit. The credits cannot be carried forward or transferred.

At final certification, the taxpayer may elect to take a 85% rebate instead of the refundable credit. The rebate shall be claimed on a form as provided by LED

Interested parties should contact Customer Service at (225)219-7462.

Cynthia Bridges
Secretary

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