SOUND RECORDING INVESTOR TAX CREDIT PROGRAM
PRODUCER FEES POLICY

Disclosure and Benchmark for Qualifying Producer Fees

1. For projects initially certified after 02/01/2011, applicants to the sound recording production program must provide detailed accounting and verification of expenditures relating to "All-In Producer Deals." For example, audits must reflect payments made to all vendors, and Producer Agreements should reflect the scope of services to be provided in Louisiana and include a clause allowing the State to audit the Producer's accounting records directly related to any expenses claimed for tax credits.

2. LED further establishes an industry benchmark of up to 20% of total qualifying Louisiana production expenditures for Producers Fees (for the calculation, Louisiana production expenditures exclude any producer fees), which shall be considered Fair Market Value. While applicants may enter into producer agreements with fees in excess of LED's approved benchmark, producer fee payments exceeding 20% may not be eligible to earn tax credits.

3. Additionally, LED establishes a benchmark of up to 12% of total qualifying Louisiana production expenditures (for the calculation, Louisiana production expenditures exclude any producer fees), for related-party producer fee expenditures, which must be supported by a cost report or audit, when applicable, and documentation of services provided. Fair market value for related-party services rendered must also be established by submission of third-party contracts for similarly-sized projects and scope of work or other documents as approved by LED. While productions may enter into agreements with fees in excess of LED's approved benchmark, payments exceeding 12% will not be eligible to earn tax credits unless the benchmark is exceeded through expenditures (supported by a cost report or audit, when applicable, and documentation of services provided) under third-party contracts only with no related-party expenditures.

Illustrative Example

ABC Sound Recording Production Company (ABC) and Producer enter into a written agreement to produce *Project 1* by *Big Name Artist*, comprised of 10 tracks and a total "all in budget" of $150,000. If *Project 1* is determined to be a qualifying state certified production, ABC would have to verify more than just one lump sum payment of $150,000 from ABC to Producer in order to earn tax credits. Instead, ABC's audit must also show detailed breakdowns of all expenditures made by Producer to vendors on behalf of *Project 1*, such as:

- Studio time, Fantastic Studio 10 days @ $300 per day - $3,000
- Musicians fees - $2,000
    - John Smith – drummer, 10 days @ $50 per day $500
    - Sarah Jones – vocals, 10 days @ $100 per day, $1,000
    - Sally Franklin – vocals, 5 days @ $100 per day, $500
- Lodging for musicians – 3 rms for 10 nts @ $100 each - $3,000
- Production engineer, Fantastic Studio 10 days @ $100 per day - $1,000
- Lodging for *Big Name Artist* – 1 suite for 10 nights @ $250 per nt - $2,500
- Catering services – 5ppl lunch for 10 days @ $50 per day - $2,500
- License fees - $1,000
- Composer fees - $1,000
- Legal fees - $5,000
- Accounting fees - $4,000
- *Big Name Artist*- $100,000

Total: $125,000

- Producer fee – up to a maximum of $25,000 or 20% of other qualifying project expenditures.