

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 40** SLS 17RS 167
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 12, 2017 12:10 PM	Author: LUNEAU
Dept./Agy.: Economic Development	
Subject: Terminate Film Tax Credit Program	Analyst: Greg Albrecht

TAX/TAXATION OR INCREASE GF RV See Note Page 1 of 1
 Sunsets Motion Picture Production Tax Credit. (gov sig)

Proposed law provides that on and after January 1, 2018 film tax credits can not be certified by the Department of Economic Development. Credits certified before that date are still applicable.

Effective upon governor's signature.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

Termination of the program will reduce self-generated application fee revenue collected by LED, likely as early as FY18 as projects stop applying for the program. This fee revenue is approximately \$302,000 per year. However, administrative costs will still require funding through much of FY18 as certifications proceed. Presumably these costs would be general fund expenses.

REVENUE EXPLANATION

The bill terminates new tax credit certifications on January 1, 2018. Over time, program credit costs will diminish and ultimately expire. As a result, net state tax receipts will gradually be larger. Termination of the program may eventually result in roughly \$150M - \$200M per year of greater net state tax receipts.

However, credits certified up to that point would still be applicable, and a stock of credits is already in existence. According to LED, there is roughly \$230M of credits in various stages of the program yet to be certified (and a surge of certifications is possible prior to the bill's deadline). Some portion of these credits, possibly a large portion, will be certified prior to January 1, 2018. In addition, there is at least \$50M of credits already certified but not yet claimed. Exacerbating this exposure, is the fact that the current law cap on actual credit claims against the state fisc of \$180 million expires at the end of FY18, and is not affected by this bill. With the program terminated and the credit claim cap expired, substantial credit claims might have to be experienced in FY19 and beyond before the bill's positive effects on net state receipts are evident.

Termination of the program will reduce self-generated application fee revenue collected by LED, likely as early as FY18 as projects stop applying (it typically takes an average of two years from production application to final certification of credits). This fee revenue is approximately \$302,000 per year.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer