LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 156** HLS 23RS 577
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 2, 2023 3:24 PM	**Author:** DEVILLIER
Dept./Agy.: Economic Development	
Subject: Reduces all caps on film credit program	**Analyst:** Deborah Vivien

TAX CREDITS OR +$100,000,000 GF RV See Note

Reduces the annual cap on the amount of motion picture production tax credits awarded, the cap on the amount of credits claimed on tax returns, and the per project cap

Current law allows the Dept. of Economic Development (LED) to grant $150 M per year of tax credits in final certification letters for certified productions. The Dept. of Revenue (LDR) is required to limit film tax credit claims against tax liabilities to $180 M per year. Current law also establishes the maximum amount of tax credit that can be allocated to a single production at $20 M, or $25 M if the production is for scripted episodic content. The program will not accept applications beyond 7/1/25.

Proposed law reduces the LED credit certifications to $75 M per year, for applications submitted on or after July 1, 2023. Also, reduces the maximum amount of tax credit claims that LDR can process to $80 M per year beginning July 1, 2023. In addition, the bill reduces the maximum amount of tax credit LED can allocate to a single production to $10 M, and $12.5 M if the production is for scripted episodic content.

EXPENDITURES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**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	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	$100,000,000	$100,000,000	$100,000,000	$100,000,000	$100,000,000	**$500,000,000**
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	**$100,000,000**	**$100,000,000**	**$100,000,000**	**$100,000,000**	**$100,000,000**	**$500,000,000**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The motion picture production program currently operates under a credit issuance cap of $150 M per year, and a credits claimed cap of $180 M per year. This bill reduces the credit issuance cap to $75 M and and the credits claimed cap to $80 M, beginning in FY 24. Program credit claim costs have fully realized maximum annual amounts ($180 M) each year since the cap was instituted beginning with FY 16, except in FY 22 with credit claims of $165.6 M, allowing the FY 23 cap to increase to $194.4 M. This FY 22 decline in claims could be attributed to the payment of the backlog of credits during the pandemic slowdown in production spending and a lag in credits being finalized as production schedules were disrupted. Given recent production activity, LED anticipates credits claimed to once again reach the $180 M cap in FY 23 and beyond. As of March, LED has initially (preliminarily) certified $450 M - $750 M in film credits that have the potential to be finalized. Thus, the bill results in a reduction of annual fiscal savings of $100 M per year in state general fund (current credits claimed cap of $180 M less the bill's program cap of $80 M). Net revenue gains occur due to less tax credit claims allowed beginning in FY 24.

The current program will not accept applications beyond 7/1/25, though pipeline projects could potentially create credits that keep the program at it's claims cap of $180 M through FY 28. However, lowering the cap on credits claimed to $80 M annually will cause the payment of credits issued under the existing program to extend well beyond the fiscal note horizon, even if the current program expires.

Because the front-end cap in the bill is based on the date that applications are submitted instead of the date of certification and certifications may take 1-2 years to award, the bill may allow the front-end cap to exceed the current level, increasing to $225 M ($150 M + $75 M) in FY 24 (or spread between fiscal years depending on when the certifications take place). Even if credits are eventually awarded based on this higher cap, they would still ultimately be paid out under the $80 M cap on credits claimed, extending the future fiscal years impacted by the bill.

Senate	Dual Referral Rules	House
[ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		[ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Alan M. Boxberger
Alan M. Boxberger
Interim Legislative Fiscal Officer