

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 161** HLS 13RS 631  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 3, 2013 1:41 PM	<b>Author:</b> JAMES
<b>Dept./Agy.:</b> Revenue / Economic Development	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Motion Picture Investor Tax Credit	

TAX CREDITS OR INCREASE GF RV See Note Page 1 of 1  
 Reduces the amount of the income tax credit for state-certified productions and removes authority to transfer or sell motion picture investor tax credits

Current law provides a nonrefundable but transferable tax credit of 30% of the in-state expenditures associated with film production. Unused credits can be carried forward for ten years.

Proposed law reduces the tax credit rate to 15%, eliminates transferability, and reduces the carry-forward period to five years.

Effective July 1, 2013.

<b>EXPENDITURES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

Without regard to changes in participation in the program, the reduction of the tax credit rate by one-half would reduce state revenue losses associated with the program by some \$107 million (based on FY12 realizations of investor credits). These savings may not occur immediately though, unless the rate cut is applied to currently participating productions. The shortening of the carry-forward period to five years (from ten), by itself, is not likely to have a material effect on program costs. Five years is still a substantial amount of time to utilize outstanding credits. However, coupled with the elimination of transferability of credit, means that production companies themselves would have to hold the credits and generate state tax liabilities in order to use them. This may result in fewer credits actually being claimed against state tax liabilities, and effectively reducing the state's revenue losses from the program. This potential result would be enhanced if the elimination of transferability in this bill were construed to eliminate the transfer of credits directly to the state (at 85% of face value) as currently allowed in other provisions of the program's statutes.

The bill substantially constrains the benefits of the program relative to other states with similar programs. Out of state productions are highly mobile and it is likely that substantially fewer of them will occur in the state under the parameters of this bill. Given that the program costs the state substantially more in revenue losses than are gained from the consequent economic activity, a drop off in film activity and program participation actually works to increase state revenue even more than the simple credit rate cut estimate above.

- |  |                            |  |
|--|----------------------------|--|
| <u>Senate</u>  | <u>Dual Referral Rules</u> | <u>House</u>   |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}                  |                            | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}                        |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} |                            | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

**John D. Carpenter**  
**Legislative Fiscal Officer**