

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 704** HLS 15RS 1095
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 29, 2015 1:19 PM	Author: THIERRY
Dept./Agy.: Economic Development / Revenue	Analyst: Greg Albrecht
Subject: Limits Annual Film Tax Credits Certified	

TAX CREDITS EG SEE FISC NOTE GF RV See Note Page 1 of 1
 Establishes an annual cap on the amount of motion picture investor tax credits that can be certified annually

Current law provides a nonrefundable but transferable tax credit for expenditures made by motion-picture production companies (30% credit & 35% on resident payroll). The credit can also be directly redeemed from the state at a rate of 85%. Credits can not be claimed against tax or transferred or redeemed until expenditures are certified by the Dept. of Economic Development (LED).

Proposed law limits the tax credit dollar amount that can be certified by LED to \$150 million per calendar year, starting with January 1, 2016. The granting of credits is on a first-come, first-served basis. Claims over the annual limit are treated as first in line for the subsequent year's limit.

Effective January 1, 2016.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

LED reports only two full-time staff administer the program, and will be sufficient to handle requirements of the program and any change in the level of participation that may result from the bill.

REVENUE EXPLANATION

LED reports that it will likely have certified over \$100 million in credits by the July 1, 2015, and it seems likely, that there will be more claims for credit certification than the \$150 million annual allotment established by this bill in subsequent years, assuming comparable levels of program participation continue into the future. Any excess of claims will consume a portion of the subsequent year's allotment, with any balance available for new claims. For each of 2012 (\$218.4M), 2013 (\$251.1M), and 2014 (\$226.4M) more than \$150 million of credits were certified. Assuming comparable levels of program activity occur in the future, it is likely that there will be excess claims in future years that are pushed into subsequent years for certification, effectively delaying certification for some portion each year's claims.

While realizations of certified credits (claims offsetting tax liabilities and direct buyback payments) are not limited by the bill, and could exceed \$150 million in any particular year, it is expected that over time the dollar amount of annual credit realizations will converge toward the annual certification allotment of \$150 million per year. This is likely to result in savings to the state fisc since realizations have exceeded \$150 million per year since FY10.

There is the possibility that the bill will reduce participation in the program since the certification cap contained in this bill is low relative to program activity, and unlimited annual credit certifications will no longer be available, making it likely that any particular project will not fully receive its credits in any particular year. The degree of possible program contraction is itself uncertain, and could ultimately result in annual total credit realizations being materially less than what the \$150 million credit certification limitation would result in.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input 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