LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 102** SLS 15RS 60
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 14, 2015 5:36 PM
Author: MORRELL
Dept./Agy.: Economic Development
Subject: Restrict Expenditures Eligible for Tax Credit
Analyst: Greg Albrecht

TAX/TAXATION EG INCREASE GF RV See Note

Prohibits certification for motion picture investor tax credits if expenditures for ATL services exceed 50% of total production expenditures. (1/1/16)

Current law defines various expenditures eligible for 30% - 35% tax credit generation, as well as excludes certain expenditures.

Proposed law defines expenditures for Above the Line (ATL) services, and provides that those services that exceed 50% of total production expenditures are not considered production expenditures in the state. These expenditures would then not be eligible for the program's credit generation.

Applicable to productions certified on or after 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	$0	$0	$0	$0	$0	**$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.	$0	INCREASE	INCREASE	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

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

REVENUE EXPLANATION

The Department of Economic Development (LED) indicates that in 2014 there were 11 productions that had Above the Line services expenditures in excess of 50% of total certified expenditures. These projects had total expenditures of some $140 million, or approximately 19% of the total amount of certified expenditures in 2014 ($727 million). LED is expecting approximately $833 million in total expenditures in subsequent years. Should future years experience a comparable share of projects with these levels of ATL expenditures, approximately $160 million of expenditures would not be certified, and an associated $48 million of tax credits would not be certified (30% of the excluded expenditures).

Program cost savings discussed above assume that the entire amount of ATL expenditures on affected projects is denied credit generation. If only the portion of those expenditures that lead to exceeding the 50% threshold in the bill are denied credits, then program cost savings may be materially lower than discussed above.

Since the bill applies to productions certified on or after January 1, 2016, some state revenue gain may occur in the latter half of FY16 if productions redeem their program benefits directly from the state in that second half of the fiscal year. However, it is most likely that FY17 is the earliest that program cost savings associated with this bill are realized.

Program cost savings discussed above assume that all production activity continues without regard to the restrictions of this bill, even those with less than 50% ATL share. However, some productions whose ATL share is close to but still below 50% may decide to not work in the state. To the extent that occurs, program cost savings may be greater than suggested by this discussion.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

☒ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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