

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



Fiscal Note On: **SB 78** SLS 17RS 32  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 12, 2017 12:03 PM	<b>Author:</b> LUNEAU
<b>Dept./Agy.:</b> Economic Development	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Terminate Film Tax Credit Program	

TAX/TAXATION OR INCREASE GF RV See Note Page 1 of 1  
 Eliminates the film tax credit and permanently extends the fiscal year program cap on all allowances of the tax credits and transfers. (7/1/17)

Proposed law provides that on and after June 1, 2017 productions applying for the film tax credit program can not be approved by the Department of Economic Development. Productions approved before that date are still eligible for the program. The \$180 million per year cap on credits allowed to be paid by the state, set to expire on June 30, 2018 is extended indefinitely.

Effective July 1, 2017.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</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>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	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**

Termination of the program will reduce self-generated application fee revenue collected by LED, beginning with FY18 as project stop applying for the program. This fee revenue is approximately \$302,000 per year. However, administrative costs will still require funding for the next two to three years as productions work through the program. Presumably these costs would be general fund expenses.

**REVENUE EXPLANATION**

The bill appears to terminate new productions entering the film tax credit program on July 1, 2017. Productions entering the program prior to that point will still be allowed to proceed through the program and receive tax credits. Over time, program credit costs will diminish and ultimately expire. However, the program rule of thumb is that tax credits associated with a production are realized against the state fisc typically two years after the production enters the program. Thus, program costs will continue until at least FY20. Once programs already approved into the program work their way through it, net state tax receipts will eventually be roughly \$150M - \$200M per year or greater.

According to LED, there are roughly \$230M of credits in various stages of the program yet to be certified (and a surge of entrants is possible prior to the bill's deadline). These credits will presumably be payable since the associated productions are already in the program prior to July 1, 2017. In addition, there is at least \$50M of credits already certified but not yet claimed; presumably payable, as well. Productions approved up to July 1, 2017 will add to this exposure. However, this exposure is ameliorated somewhat by the indefinite extension of the current law cap on actual credit claims against the state fisc of \$180 million (currently set to expire at the end of FY18). With the program terminated and the credit claim cap extended, credit claims paid should not exceed the current level of \$180M per year.

Termination of the program will reduce self-generated application fee revenue collected by LED, beginning with FY18 as projects stop applying. 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*  
**John D. Carpenter**  
**Legislative Fiscal Officer**