LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 254** SLS 17RS 1134
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.: SB 235

Date: May 21, 2017 5:08 PM
Author: MORRELL
Dept./Agy.: Economic Development
Subject: Film Tax Credit Program
Analyst: Greg Albrecht

TAX/TAXATION RE SEE FISC NOTE GF RV See Note
Provides for the Motion Picture Production Tax Credit. (gov sig)

Establishes maximum amount of tax credit issuance by the Dept. of Economic Development at $150 million per fiscal year for productions applying on or after July 1, 2017. In addition, the maximum amount of credit claims that the Dept. of Revenue (LDR) can pay is maintained at $180 million indefinitely. Current law terminated this credit claim cap at the end of FY18. If under utilized in any year, the amount of credit not claimed can be added to the next year's cap, allowing more credit claims in subsequent years. For credits sold back directly to LDR, the amount charged against the claims cap is 100% of the face value rather than the discounted value (90% direct buyback in this bill). Numerous other program modifications are proposed by the bill, all within the credit issuance and claim caps for the program. Sunsets the program such that no credits can be issued on and after July 1, 2025.

Effective upon governor's signature.

EXPENDITURES	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**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	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

LED indicates no additional costs with administering the program although the bill contains substantial changes to the program with effectively different program parameters applying to productions based on various dates of application.

REVENUE EXPLANATION

Currently, there is no annual maximum for tax credits issued by LED. This bill establishes a maximum of $150 million per fiscal year. The current law cap on actual credit claims against the state fisc is $180 million in FY18, and then no credit claim cap is provided beyond that year. This bill will continue the $180 million per year credit claim cap for all years after FY18. According to LED, there is roughly $280 million of credits in the program to be awarded ($230 million) or already awarded ($50 million) that could be claimed. To the extent all of those credit amounts were to be presented against the state fisc in FY19, this bill would constrain the cost to the $180 million claim maximum and result in $100 million not being paid that year. That unpaid excess would roll over to become a FY20 obligation of the state, leaving $80 million more that could be claimed and paid from credits issued to productions in FY18 and FY19.

The bill is limiting the issuance of credits to $150 million per year. The program rule of thumb is that these credits would be presented against the state fisc roughly two years after a production enters the program, meaning that most realizations of these amounts would likely occur in FY20 and beyond, along with other potential credits already issued but not yet claimed and paid, up to the $180 million cap on credits claimed and paid.

The bill appears to be attempting to reduce program credit costs to less than $180 million per year, the current credit claims cap by limiting credit issuance to $150 million. Variation around that level can occur, though, due to legacy credits and the volume and pace of productions flowing through the program.

In addition, the bill contains a provision that requires the calculation of credits claimed and paid against the $180 million cap to deduct the full face value of credits, even if credits are claimed through the buyback option where the state pays 85¢ on the dollar currently and 90¢ on the dollar in the proposed bill. This applies to credits sold back to the state after July 1, 2017 and, to the extent credits are sold back to the state, works to reduce the effective cost of the program to something less than the $180 million nominal cost implied in the cap on claims paid.

Finally, the bill allows no credits to be issued by LED after July 1, 2025. Existing participants will continue through the program, and a surge of applications may occur before that date. Realized costs will continue for two or more years after that point, but should diminish as productions complete the program while no new productions enter the program.

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}

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