LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 696** HLS 13RS 1482
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 10, 2013 8:04 AM
Author: MONTOUCET
Dept./Agy.: Revenue
Subject: Modify Motion Picture and Solar Electric/Thermal Credits
Analyst: Greg Albrecht

TAX/INCOME TAX EG +$24,200,000 GF RV See Note

Reduces the amount of certain tax credits beginning January 1, 2014, for income tax credits and January 1, 2015, for corporate franchise credits

The bill makes various changes to the administration of the motion picture credit program including limiting the amount of payroll eligible for credit to no more than $3 million per any person for applications received on and after August 1, 2013. Certain other costs are also made ineligible for credit on applications after that date. A processing fee is redirected to the Revenue Department and a special fund to receive it is abolished. Recapture provisions are modified. Film tax credits certified between July 1, 2013 and June 30, 2016 are reduced by 10%. The bill also reduces solar tax credits claimed against corporate tax liabilities by 15% beginning with claims made beginning July 1, 2013 and through June 30, 2016.
Effective July 1, 2013.

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**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	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	$24,200,000	$24,200,000	$24,200,000	$1,200,000	$1,200,000	**$75,000,000**
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	**$24,200,000**	**$24,200,000**	**$24,200,000**	**$1,200,000**	**$1,200,000**	**$75,000,000**

EXPENDITURE EXPLANATION

There would be one-time expenses by the Revenue Department to modify tax forms and processing systems to accommodate the reduction in this credit. These types of modifications typically involve $20,000 - $40,000 of workload costs, plus additional taxpayer inquiries and guidance.

REVENUE EXPLANATION

The bill makes various changes to the motion picture credit program that appear to primarily constrain program costs, the most significant of which may be the limitation of $3 million per person payroll eligibility for all persons, not just residents of the state. However, this change and a restriction of certain other costs is applicable only to applications received on or after August 1, 2013, and would not be expected to have any material effect on program costs until FY15 or FY16. Payments made to program participants occur after productions have completed and cost reports have been compiled, submitted, and reviewed. Thus, it is unlikely that any program cost savings occur in FY14 from these various provisions, and savings would accumulate over time as existing projects are paid out and new projects under the new constraints of this bill work their way through the program. No estimate of those future savings is readily available for these provisions

However, the bill reduces by 10% the value of any motion picture claim certified between July 1, 2013 and June 30, 2016. Based on the level of current program credit realizations, this could result in approximately $23 million of lower program costs in FY14, FY15, and FY16. These savings are reflected in greater retention of net revenue collections as the Revenue Department makes less payments associated with this program.

The bill also reduces the tax credit payments provided to solar electric/thermal projects by 15%, for all such claims against corporate tax liabilities after July 1, 2013. Based on the level of current program credit realizations, this could result in approximately $1.2 million of program cost savings per year. These savings are reflected in greater retention of net revenue collections as the Revenue Department makes less payments associated with this program.

Activities that generate credits can vary from year-to-year, and consequently the actual revenue associated with a reduction of the credits can vary, as well.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F) >= $500,000 Annual Fiscal Cost {S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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