LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 102** SLS 15RS 60

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 1, 2015 3:11 PM

Author: MORRELL

Dept./Agy.: Economic Development

Subject: Restrict Expenditures Eligible for Tax Credit

Analyst: Greg Albrecht

TAX/TAXATION OR 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 prohibits eligibility to the program for any production with 50% or more Above the Line expenditures in its total expenditures in the state.

Applicable to productions submitted for approval or approved 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).

Since the bill applies to productions submitted for approval or approved starting with January 1, 2016, and it can take one to two years for many productions to work through the entire program process, the earliest that lower tax credits and higher net tax receipts are likely to occur is FY17, with only a fraction of the potential revenue gain occurring, and then a step-up toward the full cost savings in FY18 and beyond would occur.

Program cost savings 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}		[ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		[ ] 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}
		[x] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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