

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 735** HLS 15RS 391

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|-------------------------------------------------|----------|--------------------------------|
| Date: May 15, 2015 | 11:10 AM | Author: STOKES |
| Dept./Agy.: Revenue/Economic Development | | Analyst: Deborah Vivien |
| Subject: | | |

TAX/INCOME TAX

OR SEE FISC NOTE GF RV

Page 1 of 1

Requires the withholding of individual income taxes from income earned by certain individuals for purposes of the motion picture investor tax credit

Proposed law requires 6% withholding from any payroll that will be submitted as a motion picture production expense eligible for an income tax credit. The entity paying the compensation must remit quarterly and provide an annual report of payroll information, including an estimate of compensation per employee. The payor must attest to related party status of the employee and, if related, provide an affidavit stating that the pay is the same as an unrelated party in the same position. The bill also allows the Department of Revenue to retain 30% of any transfer fee for operations. Effective for projects receiving initial certification on or after 1/1/16.

| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

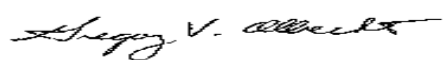
| REVENUES | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The bill directs 30% of any transfer fees to the Department of Revenue where the fee is currently retained by the Department of Economic Development. This is a transfer between agencies that will have no change to state funding in the aggregate.

REVENUE EXPLANATION

The bill does not change the taxable status of income, thus may not impact the state fiscally from a bottom line perspective. However, the timing of payments may change as mandatory withholding of 6% is required on all payroll presented as an eligible production expense. Many of the affected taxpayers may have smaller effective tax rates and receive a refund upon filing. Without mandatory withholding, taxpayers have presumably made the appropriate tax filings and have complied with existing withholding laws. To that extent, the bill leaves the state fisc in the same position. However, to the extent that some taxpayers are not filing appropriately and have a tax liability, state revenue may increase if mandatory withholding remedies those situations. There is no information available concerning the compliance of employees or compensation payments associated with film productions in the state.

| | | | | |
|-----------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |  Gregory V. Albrecht Chief Economist |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} | | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | | |
| | | | | |