

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 763** HLS 15RS 393

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 19, 2015 8:53 AM	Author: STOKES
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Film Tax Credit Transfers and Buybacks	

TAX/INCOME-CREDIT

OR SEE FISC NOTE GF RV

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Limits transferability and increases the amount of the state's buy-back on the motion picture investor tax credit

Proposed law limits the transfer of film tax credits to one-time within four years of being earned. Credits may also be assigned to a lender. Credits can also be transferred directly back to the state for a rate of 88% of face value rather than 85% in current law.

Applicable to program applications submitted 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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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>	\$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

Under the current buyback rate of 85% of face value, holders of film production tax credits redeemed \$84.6 million of credits for \$71.9 million, some 31% of what would have been the full cost of the program in FY14 with no buyback option. Using FY14 as a model, an 88% buyback rate would have increased the cost to the state of those credits by \$2.5 million. However, a higher buyback rate might encourage a greater share of credits, that would be filed with returns at 100% of face value, to instead be redeemed at the 88% buyback rate in this bill, generating a 12% savings to the state on those credits opting for the enhanced buyback rather than full face value when claimed on a tax return. Based on FY14 experience, it would take approximately 7% more of the balance of full face value credits to be redeemed at the higher 88% rate to generate enough savings relative to the 100% face value cost to offset the higher costs of an 88% rate relative to the current 85% rate on those credits already opting for the buyback. That is about a 23% increase from the amount of credits already opting for the buyback. Any effects from the bill would not likely occur for one to two years after effectiveness (January 1, 2016) as new projects entering the program face a higher buyback rate option once their credits have been received.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer