

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 25, 2015 2:29 PM	Author: STOKES
Dept./Agy.: Revenue/Economic Development	Analyst: Deborah Vivien
Subject: Film Withholding	

TAX/INCOME TAX EN SEE FISC NOTE GF RV See Note 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. 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, ownership structure and estimated employee compensation.

The bill also requires the Department of Revenue to collect a \$200 per motion picture production fee for implementation costs. 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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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. However, if there are any additional implementation or other expenses associated with the bill, they will presumably be paid with proceeds of the fee imposed in the bill.

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.

The bill directs the Department of Revenue to collect a fee of \$200 per production for implementation of the bill's provisions. Depending on how many productions apply for tax credits and have withholding requirements, the SGR of the Department of Revenue will increase. If 100 motion picture productions apply and require withholding, LDR will collect \$20,000 in fees. The first year will be smaller since the bill becomes effective in the middle of FY 16 (January 1, 2016).

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <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} |

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