

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **HB 276** HLS 15RS 562  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 29, 2015 12:23 PM	<b>Author:</b> HARRIS
<b>Dept./Agy.:</b> Economic Development / Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Limits Annual Film Tax Credits Certified and Paid	

TAX CREDITS EG SEE FISC NOTE GF RV Page 1 of 1  
 Limits the amount of motion picture investor tax credit applications certified by the office and paid by the state each year

Current law provides a nonrefundable but transferable tax credit for expenditures made by motion-picture production companies (30% credit & 35% on resident payroll). The credit can also be directly redeemed from the state at a rate of 85%. Credits can not be claimed against tax or transferred or redeemed until expenditures are certified by the Dept. of Economic Development (LED).

Proposed law limits the tax credit dollar amount that can be certified by LED to \$200 million per calendar year, starting with January 1, 2015. All credits certified on a single day that exceed the annual allotment are approved on a pro rata basis. Claims that receive pro rata certification are given first priority in the subsequent year's allotment, and claims over the annual limit are treated as first in line for the subsequent year's limit. Claims are to be filed electronically.

Effective July 1, 2015.

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

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

**EXPENDITURE EXPLANATION**

LED reports only two full-time staff administer the program, and will be sufficient to handle requirements of the program and any change in the level of participation that may result from the bill.

**REVENUE EXPLANATION**

LED reports that it will likely have certified over \$100 million in credits by the July 1 effective date of the bill. It seems likely, at least for 2015, that there will be more claims for credit certification than the \$200 million annual allotment established by this bill. Any excess of claims in 2015 will consume a portion of the 2016 \$200 million allotment, with any balance available for new claims. For each of 2012 (\$218.4M), 2013 (\$251.1M), and 2014 (\$226.4M) more than \$200 million of credits have been certified. Assuming comparable levels of program activity occur in the future, it is likely that there will be excess claims in future years that are pushed into subsequent years for certification, effectively delaying certification for some portion each year's claims.

While realizations of certified credits (claims offsetting tax liabilities and direct buyback payments) are not limited by the bill, and could exceed \$200 million in any particular year, it is expected that over time the dollar amount of annual credit realizations will converge toward the annual certification allotment of \$200 million per year. This is likely to result in some savings to the state fisc in some years since there have been two fiscal years when realizations exceeded \$200 million (\$215M FY12 and \$258M FY14).

There is the possibility that the bill will reduce participation in the program since the unlimited annual credit certifications will no longer be available, making it uncertain as to whether any particular project will fully receive its credits without the delay that an annual allotment can cause. The degree of possible program contraction is itself uncertain, and could ultimately result in annual total credit realizations being materially less than what the \$200 million credit certification limitation would result in.

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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} |

**John D. Carpenter**  
**Legislative Fiscal Officer**