LEGISLATIVE FISCAL OFFICE
Fiscal Note

ACT 142

Fiscal Note On:	**SB 102** SLS 15RS 60
Bill Text Version:	**ENROLLED**
Opp. Chamb. Action:	
Proposed Amd.:	
Sub. Bill For.:	

Date: June 23, 2015 12:48 PM **Author:** MORRELL

Dept./Agy.: Economic Development

Subject: Restrict Expenditures Eligible for Tax Credit **Analyst:** Greg Albrecht

TAX/TAXATION EN 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 provides that those expenditures that exceed 40% of total production expenditures are not considered production expenditures in the state. These expenditures would then not be eligible for the program's credit generation.

Applicable to productions with applications received on or after July 1, 2015.

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 20 productions that had Above the Line services expenditures in excess of 40% of total certified expenditures. These projects had total ATL expenditures that exceeded the 40% threshold of the bill of some $28.7 million. Should future years experience a comparable amount of projects with these levels of excess ATL expenditures, approximately $28.7 million of expenditures would not be certified, and an associated $8.6 million of tax credits would not be certified (30% of the excluded expenditures).

Since the bill applies to production applications received after July 1, 2015, 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 some portion of the total estimated program cost savings, and then step-up toward the full cost savings in FY18 and beyond.

Program cost savings discussed above assume that all production activity continues without regard to the restrictions of this bill, even those with more than 40% ATL share. However, some of those productions and even some whose ATL share is close to but still below 40% 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}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 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}

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