COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0598-01
Bill No.: HB 251
Subject: Tax Credits; Television; Business and Commerce
Type: Original
Date: February 24, 2011

Bill Summary: This proposal eliminates the tax credit for qualified film production projects after December 31, 2011.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	$0	Up to $4,500,000	Up to $4,500,000
Total Estimated Net Effect on General Revenue Fund	**$0**	**Up to $4,500,000**	**Up to $4,500,000**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning** (**BAP**) assume that there is no fiscal impact on BAP from this proposal. The proposed legislation ends the Film Tax Credit Program on December 31, 2011. No tax credits will be issued after January 1, 2012. Based on prior redemption history, BAP estimates this proposal will reduce redemptions by $0.14 million in FY 2013 and $1.4 million in FY 2014. This proposal will increase general and total state revenue accordingly. This proposal may reduce economic activity, but BAP cannot estimate any associated loss of revenue.

Officials at the **Department of Economic Development** assume a positive fiscal impact as a result of eliminating this program, but the exact amount of the positive impact is unknown due to the uncertainty as to the amount of tax credits that would actually be authorized and subsequently redeemed under the eliminated program in any fiscal year. However, the Department estimates the following range of potential positive fiscal impact, with the high end of the range represented by the applicable program cap and the low end represented by the average annual authorizations of tax credits under the applicable programs for fiscal years 2007 through 2009. This reflects the fact although there is a potential for authorizations under these programs up to the applicable cap in any fiscal year, actual authorizations are often less than the cap amount:

Program Repealed	**Savings Based on Average Authorizations (FY07-FY09)**	**Maximum Savings Based on Current Statutory Cap**
Film Production	$3,257,918	$4,500,000

According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Film Tax Credit Program has had and projects the following activity;

	FY 2008	FY 2009	FY 2010	FY 2011 (projected)	FY 2012 (projected)
Certificates Issued (#)	7	5	4	2	2
Projects (#)	5	8	4	2	2
Amount Authorized	$951,000	$6,822,754	$1,768,989	$2,000,000	$2,000,000
Amount Issued	$1,642,701	$164,086	$5,181,512	$2,268,989	$2,000,000
Amount Redeemed	$1,920,709	$970,673	$1,925,158	$2,155,540	$1,900,000

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

Officials at the **Department of Revenue** assume that there is no fiscal impact from this proposal.

Oversight assumes any income to the state from tax credits not issued and the taxes being collected will start in January 2012, which is FY 2012. However, since it is possible for the agency to issue all of the tax credits before this proposal prohibits any more being issued, Oversight will show the increase in revenue beginning in FY 2013.

This proposal could result in a increase in Total State Revenues.

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
Revenue - tax credits no longer being issued	$0	Up to $4,500,000	Up to $4,500,000
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**Up to $4,500,000**	**Up to $4,500,000**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses could be affected by the elimination of the tax credit.

FISCAL DESCRIPTION

This bill specifies that tax credits for qualified film production projects will expire December 31, 2011.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue

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JH:LR:OD