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FISCAL IMPACT REPORT

SPONSOR Kintigh ORIGINAL DATE 01/30/12
LAST UPDATED _____ HB 117
SHORT TITLE Film Production Tax Credit Changes SB _____
ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
		\$0.0 - \$50,000.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

No Response From

Taxation and Revenue Department (TRD)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 117 gradually phases out the Film Production Tax Credit by 2037. The current 25% expense rebate is reduced one percent each year until it phased out by 2037. Further, the bill makes the credit transferrable to other taxpayers up to a cap of \$45 million.

FISCAL IMPLICATIONS

The credit is currently capped at \$50 million annually. Absent other analysis, the fiscal impact assumes that:

- All film production will cease by FY15.
- No film production will cease by FY15.

SIGNIFICANT ISSUES

Unlike most credits, the film cap is actually an expense rebate. Therefore, the efficacy of the transfer provisions is doubtful.

OTHER SUBSTANTIVE ISSUES

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate

SS/svb