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FISCAL IMPACT REPORT

SPONSOR SFC DATE TYPED 03/14/05 HB _____
 SHORT TITLE LOW-INCOME COUNTY FILM PRODUCTION SB _____
TAX CREDIT CS/CS/416
 ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(*)	(*)	Similar	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

* Minimal, indeterminate

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department (EDD)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

The Senate Finance Committee substitute for the Senate Corporations and Transportation Committee Substitute for Senate Bill 416 establishes the “New Mexico Filmmaker Tax Credit” which provides an additional tax credit against personal or corporate income tax to a film production company for 5 percent of certain direct production expenditures. The tax credit is refundable, so that if the credit exceeds the taxpayer’s tax liability, the excess credit would be refunded to the taxpayer. Eligible production expenditures are as follows:

- made in New Mexico or by a New Mexico resident for the purposes of this section
- of which 60 percent of the below-line crew payroll are residents of New Mexico
- on equipment, goods, services, vehicles or other direct production expenditures provided by individuals or companies paying gross receipts tax in New Mexico for a minimum of 2 years
- on rental equipment if it is in New Mexico for a minimum of one hundred eighty-three days per year

- that are made for the purpose of producing a television series

The provisions of this act apply to taxable years beginning on or after January 1, 2005. The bill also evokes an emergency clause, which states that the provisions would take affect immediately.

The bill contains a delayed repeal, effective January 1, 2009.

The bill requires the New Mexico film division of EDD and TRD shall provide a written report to the Legislative Finance Committee (LFC) by October 15 of each year that reviews and assesses the impacts of the New Mexico filmmaker tax credit.

Significant Issues

EDD believes that the bill will encourage the use of locally owned businesses, services and New Mexico crew members that have resided in New Mexico for a considerable amount of time.

PERFORMANCE IMPLICATIONS

EDD believes that Senate Bill 416 will assist in meeting the performance measures set by the New Mexico Film Office in both economic impact and number of worker days, by encouraging film and media companies to produce films in New Mexico.

FISCAL IMPLICATIONS

According to TRD's analysis, over \$5 million in film production credits have been claimed and approved over the last two and a half years based on the current 15 percent tax deduction. Due to the additional eligibility criteria, TRD believes that only a small fraction of the expenditures eligible for the current credit would be eligible for the additional 5 percent credit, and that the fiscal impact would be minimal. The SFC substitute bill's additional criteria leads LFC staff to also conclude that the fiscal impact of to the General Fund would be minimal.

ADMINISTRATIVE IMPLICATIONS

EDD would be responsible for receiving the required information and determining eligibility for the credit. Some Film Office staff time will be needed to verify company eligibility.

TECHNICAL ISSUES

EDD notes that on page 4, line 25 and page 5 lines 1-4, the definition of "delivery medium" is too restrictive and does not reflect current industry standards.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

According to EDD, a television series whose pilot was shot in Albuquerque last fall is looking to locate permanently in the State of New Mexico if Senate Bill 416 is passed. They add that a television series would bring long-term permanent jobs to the state.

OPJ/rrm:rs:yr