

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (www.nmlegis.gov). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/17
 LAST UPDATED 03/17/17 HB _____

SPONSOR Steinborn

SHORT TITLE Film Tax Credit "Production Facility" SB 390/aHBIC/aHTRC

ANALYST Clark

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY17	FY18	FY19	FY20	FY21		
No Fiscal Impact						

Parenthesis () indicate revenue decreases

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment strikes the second part of the HBIC amendment, removing the “non-contiguous” phrasing.

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment strikes reference to “on a continual basis” on page 5 line 6 and on line 7 after “contiguous” inserts “or non-contiguous”.

Synopsis of Bill

Senate Bill 390 changes the definition of “qualified production facility” as it applies to the film production tax credit by reducing the acreage on which a standing film set must be located from at least 50 acres to at least 45 acres.

There is no effective date of this bill. It is assumed that the effective date is 90 days after this session ends.

FISCAL IMPLICATIONS

There is no fiscal impact in the near future. By expanding the ability for sets to qualify as production facilities, the bill potentially could generate a small increase in applicants for the credit. However, the credit is forecast to reach its \$50 million annual cap for the foreseeable future, pushing any potential impact outside the range of the forecast period.

SIGNIFICANT ISSUES

It appears the bill was written with a specific standing set in mind that is on fewer than 50 acres but at least 45 acres. This would allow that facility to better compete with other sets for film projects. However, with the annual cap in place, any additional projects that would film at this particular location would likely not be in addition to existing levels of projects at other locations but would instead draw those projects away from other locations.

It is difficult to draw a line of what size property should be considered for eligibility. On the one hand, why should 50 acres qualify and not 45 acres, but on the other hand, if the minimum acreage is reduced now to 45 acres, it sets a precedent and could result in future requests for further reductions.

TECHNICAL ISSUES

This bill does not contain a delayed repeal date. LFC recommends adding a delayed repeal date.

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