

**DEPARTMENT OF TAXATION  
2014 Fiscal Impact Statement**

1. **Patron** Terry G. Kilgore

3. **Committee** House Finance

4. **Title** Motion Picture Production Tax Credit

2. **Bill Number** HB 460

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

**5. Summary/Purpose:**

This bill would increase the amount of the base Motion Picture Production Tax Credit that may be claimed for qualifying expenses from 15 percent of qualifying expenses to 20 percent of qualifying expenses. This bill would also increase the amount of the enhanced base tax credit from 20 percent of qualifying expenses to 25 percent of qualifying expenses if the production is filmed in an economically distressed area of Virginia.

This bill would increase the tax credit cap from \$5 million to \$25 million per biennium.

This bill would require the Department of Taxation ("the Department") to publish specified information on the Motion Picture Production Tax Credit in its report to the General Assembly, regardless of whether such information is classified as to prevent the identification of particular taxpayers, reports, or returns and items.

This bill would impose a January 1, 2024 sunset date on the Motion Picture Production Tax Credit.

This bill would be effective for taxable years beginning on and after January 1, 2014.

6. **Budget amendment necessary:** Yes. Line 1, Revenue Estimates.

**7. Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

**7b. Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2013-14	\$0	GF
2014-15	(\$10 million)	GF
2015-16	(\$10 million)	GF
2016-17	(\$10 million)	GF
2017-18	(\$10 million)	GF
2018-19	(\$10 million)	GF
2019-20	(\$10 million)	GF

**8. Fiscal implications:**

Administrative Costs

The Department has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, the Department considers implementation of this bill as “routine,” and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not “routine.” Additionally, the Department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department will identify the costs at that time.

Revenue Impact

This bill is estimated to have a negative revenue impact of \$20 million per biennium, beginning in FY 2015. This bill would increase the tax credit cap from \$5 million to \$25 million per biennium. Based on current and potential motion picture production projects that are either in production in Virginia or considering Virginia as a production location, the Department estimates that the Virginia Film Office would issue the full \$25 million tax credit each biennium. Because the Department estimates that the full tax credit would be issued in each biennium, the increased tax credit cap would have a negative revenue impact of \$20 million in each biennium.

**9. Specific agency or political subdivisions affected:**

Department of Taxation  
Virginia Film Office

**10. Technical amendment necessary:** No.

## 11. Other comments:

### Current Law

Virginia allows a series of refundable individual and corporation income tax credits for motion picture production companies that meet certain criteria. A motion picture production company with qualifying expenses of at least \$250,000 may receive a tax credit equal to 15 percent of qualifying expenses or 20 percent of qualifying expenses if the production is filmed in an economically distressed area of Virginia.

A motion picture production company may receive an additional tax credit equal to 10 percent of the total aggregate payroll for Virginia residents employed in connection with the production of a film in Virginia when total production costs in Virginia are at least \$250,000, but not more than \$1 million. This additional tax credit is equal to 20 percent of the total aggregate payroll of such residents when total production costs in Virginia exceed \$1 million.

A motion picture production company may also receive an additional tax credit equal to 10 percent of the total aggregate payroll for Virginia residents employed for the first time as actors or members of a production crew in connection with the production of a film in Virginia.

“Qualifying expenses” are defined as the sum of the following amounts spent in Virginia by a production company for the production of a motion picture film or an episodic television series filmed in Virginia:

- Goods and services leased or purchased.
- Compensation and wages of up to \$1 million per individual for personal services with respect to a single motion picture production.

The aggregate amount of all tax credits that may be allocated to taxpayers is capped at \$2.5 million for the 2010-2012 biennium and \$5 million in any biennium thereafter.

### Film Tax Credits in Other States

Thirty-seven states allow film tax incentives. Of those thirty-seven states, ten provide film tax incentives that are uncapped. Thirteen states (Arizona, Delaware, Idaho, Indiana, Iowa, Kansas, Nebraska, New Hampshire, North Dakota, South Dakota, Vermont, Wisconsin, and Wyoming) and the District of Columbia do not provide film tax incentives. The following table shows which states allow film tax incentives, whether such states cap their respective film tax incentives, and the amount of film tax incentives provided by the states that cap their film tax incentives.

State	Film Tax Incentive Cap	Incentive Amount
Alabama	Yes	\$20 million annually
Alaska	Yes	\$200 million from July 1, 2013 – June 30, 2023
Arkansas	Yes	\$5 million annually
California	Yes	\$100 million annually
Colorado	Yes	\$1 million annually
Connecticut	No	-
Florida	Yes	\$242 million from July 1, 2010 – June 30, 2015
Georgia	No	-
Hawaii	No	-
Illinois	No	-
Kentucky	No	-
Louisiana	No	-
Maine	No	-
Maryland	Yes	\$25 million annually
Massachusetts	No	-
Michigan	Yes	\$50 million annually
Minnesota	Yes	\$10 million annually
Mississippi	Yes	\$20 million annually
Missouri	Yes	\$4.5 million annually
Montana	No	-
Nevada	Yes	\$20 million annually
New Jersey	Yes	\$10 million annually
New Mexico	Yes	\$50 million annually
New York	Yes	\$420 million annually
North Carolina	No	-
Ohio	Yes	\$20 million annually
Oklahoma	Yes	\$5 million annually
Oregon	Yes	\$6 million annually
Pennsylvania	Yes	\$60 million annually
Rhode Island	Yes	\$15 million annually
South Carolina	Yes	\$15 million annually
Tennessee	Yes	\$10 million annually
Texas	Yes	\$30 million per biennium
Utah	Yes	\$6.8 million annually
Virginia	Yes	\$5 million per biennium
Washington	Yes	\$3.5 million annually
West Virginia	Yes	\$10 million annually

### Proposed Legislation

This bill would increase the amount of the base Motion Picture Production Tax Credit that may be claimed for qualifying expenses from 15 percent of qualifying expenses to 20 percent of qualifying expenses. This bill would also increase the amount of the enhanced base tax credit from 20 percent of qualifying expenses to 25 percent of qualifying expenses if the production is filmed in an economically distressed area of Virginia.

This bill would increase the tax credit cap from \$5 million to \$25 million per biennium.

This bill would require the Department to publish specified information on the Motion Picture Production Tax Credit in its report to the General Assembly, regardless of whether such information is classified as to prevent the identification of particular taxpayers, reports, or returns and items. This information includes the location of sites used in a production for which a tax credit is claimed, qualifying expenses for which a tax credit is claimed, the number of people employed in Virginia with respect to tax credits claimed, and the total cost to the General Fund caused by the tax credit.

This bill would impose a January 1, 2024 sunset date on the Motion Picture Production Tax Credit.

This bill would be effective for taxable years beginning on and after January 1, 2014.

### Similar Bills

**Senate Bill 46** is identical to this bill, except it does not require the Department to publish specified information on the Motion Picture Production Tax Credit and it would not sunset the tax credit on January 1, 2024, but would sunset the provision that includes digital interactive media production in the definition of a motion picture film production on that date.

cc : Secretary of Finance

Date: 1/21/2014 MTH  
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