

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Roxann L. Robinson

2. **Bill Number** HB 1543

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Retail Sales and Use Tax; Extends the
Sunset Date on Audio and Video Works
Exemption

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would extend the July 1, 2019 expiration date for the Retail Sales and Use Tax exemption for audio and video works to July 1, 2022.

Under current law, an exemption from the Retail Sales and Use Tax is available for the lease, rental, license, sale, other transfer, or use of any audio or video tape, film or other audio visual work.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact** (See Line 8.)

8. **Fiscal implications:**

Administrative Costs Impact

The Department of Taxation considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

There is no revenue impact associated with extending the sunset date because the General Fund revenue forecast assumes the extension of all expiring exemptions.

9. **Specific agency or political subdivisions affected:** Department of Taxation

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

11. **Other comments:**

The audiovisual works exemption was originally enacted by the 1995 General Assembly.

The exemption was enacted to encourage the production of films and other audiovisual works in Virginia, and to also encourage national programmers and producers to establish operations in Virginia. The prior law provided a limited exemption for leases or rentals of copyrighted audio and videotapes for public exhibition by movie theaters and licensed radio and television stations.

The exemption applies to the lease, rental, license, sale, other transfer, or use of any audio or video tape, film or other audiovisual work when acquired for the purpose of licensing, distributing, broadcasting, commercially exhibiting or reproducing the work or using or incorporating the work in another such work. The exemption also applies to the provision of production services or fabrication related to the production of any portion of a qualifying audiovisual work. The exempt production services include scriptwriting, photography sound, musical composition, special effect, animation, adaptation, dubbing, mixing, editing, cutting and provision of production facilities or equipment. The transfer of certain tangible personal property related to production services is exempt, as is equipment and related parts and accessories for use in the production of exempt audiovisual works.

The sunset date of the exemption was June 30, 1997. The sunset date has since been extended to June 30, 2002, July 1, 2004, July 1, 2009, and July 1, 2019.

The Motion Picture Production Tax Credit

In addition to the audiovisual works exemption, Virginia encourages motion picture production with the Motion Picture Production Tax Credit ("MPPTC") set forth in § 58.1-439.12:03.

The MPPTC provides for a series of refundable individual and corporate 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.

Similar Legislation

HB 1665 extends the sunset date for the Motion Picture Production Tax Credit.

cc : Secretary of Finance

Date: 2/21/2017 VB
HB1543FER161