

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Mark L. Keam

3. **Committee** House Finance

4. **Title** Motion Picture Production Tax Credit; Digital
Interactive Media Productions

2. **Bill Number** HB 2114

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would prohibit taxpayers from claiming the Motion Picture Production Tax Credit for digital interactive media productions.

This bill would be effective for taxable years beginning on or after January 1, 2018.

6. Budget amendment necessary: No.

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

8. Fiscal implications:

The Department of Taxation ("the Department") and the Virginia Film Office consider implementation of this bill as routine, and do not require additional funding.

Revenue Impact

This bill would have no impact on General Fund revenue.

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 corporate income credits for motion picture production companies that incur certain expenses with respect to a motion picture production filmed in Virginia. A motion picture production company with qualifying expenses of at least \$250,000 may receive a 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 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 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 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.

For purposes of the credit, a “motion picture production” includes any recorded motion picture project using a series of moving images intended for distribution or commercial use including, but not limited to, digital interactive media productions. “Digital interactive media productions” includes any interactive entertainment intended for commercial exploitation such as:

- Video game projects;
- Console games;
- Computer games;
- Handhold console games;
- Mobile electronic device games; and
- Certain massively multi-player online video games.

The aggregate amount of all credits that may be allocated to taxpayers is capped at \$6.5 million per fiscal year. The credit was previously capped at \$2.5 million for the 2010-2012 biennium, and \$5 million for the 2012-2014 biennium. See the chart below for information regarding the amount of credits allocated to taxpayers from 2012 through 2017:

Fiscal Year	Credits Allocated	Annual Credit Cap
2012	\$2,500,000	\$2.5 million for the 2010-2012 biennium
2013	\$1,152,884	\$5 million for the 2012-2014 biennium
2014	\$3,808,975	
2015	\$6,467,500	\$6.5 million
2016	\$5,494,009	\$6.5 million
2017	\$6,361,969	\$6.5 million

Proposed Legislation

This bill would prohibit taxpayers from claiming the Motion Picture Production Tax Credit for digital interactive media productions.

This bill would be effective for taxable years beginning on or after January 1, 2018.

Similar Bills

House Bill 1665 and **Senate Bill 982** would extend the expiration date of the Motion Picture Production Tax Credit from January 1, 2019 to January 1, 2022.

Senate Bill 1451 would allow an uncapped Motion Picture Production Tax Credit for certain motion picture production companies that film a motion picture production in an area certified as a historically underutilized business zone or in certain historic locations.

House Bill 1543 would extend the July 1, 2019 expiration date for the Retail Sales and Use Tax exemption for audiovisual works to July 1, 2022.

cc : Secretary of Finance

Date: 1/17/2017 MTH
HB2114F161