

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** L. Louise Lucas

2. **Bill Number** SB 923

3. **Committee** Senate Finance and Appropriations

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Individual and Corporate Income Tax;  
Increase the Annual Credit Cap for the  
Motion Picture Production Tax Credit

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would increase the annual credit cap for the Motion Picture Production Tax Credit from \$6.5 million per fiscal year to \$13 million. This bill would also require that \$6.5 million of the increased annual credit cap be allocated only to taxpayers for productions filmed in an economically distressed area of the Commonwealth as designated by the Virginia Economic Development Partnership ("VEDP").

If enacted during the 2020 Regular Session, this bill would be effective on July 1, 2020.

### 6. **Budget amendment necessary:** Yes.

Items(s): Page 1, Revenue Estimates

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

### 8. **Fiscal implications:**

#### Administrative Costs

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

#### Revenue Impact

This bill would result in an unknown negative General Fund revenue impact of up to \$6.5 million annually beginning in Fiscal Year 2021. It is unknown to what extent the Virginia Film Office would allocate credits in excess of the existing credit cap, especially since half of the credit would be required to be for products filmed in economically distressed areas of Virginia. However, the potential negative revenue impact would be limited to the \$6.5 million increase of the credit cap.

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

Department of Taxation

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

**11. Other comments:**

Motion Picture Production Tax Credit

Virginia provides a series of refundable individual and corporate income 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 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, as determined by VEDP.

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.

“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 credits that may be allocated to taxpayers is capped at \$6.5 million per fiscal year.

Film Tax Credits in Other States

Thirty-two states and the District of Columbia allow film tax incentives. Eighteen states (Alaska, Arizona, Delaware, Florida, Idaho, Indiana, Iowa, Kansas, Michigan, Missouri, Nebraska, New Hampshire, North Dakota, South Dakota, Vermont, West Virginia, Wisconsin and Wyoming) do not provide film tax incentives.

Proposed Legislation

This bill would increase the annual credit cap for the Motion Picture Production Tax Credit from \$6.5 million per fiscal year to \$13 million. This bill would also require that \$6.5 million

of the increased annual credit cap be allocated only to taxpayers for productions filmed in an economically distressed area of the Commonwealth as designated by the VEDP.

If enacted during the 2020 Regular Session, this bill would be effective on July 1, 2020.

#### Similar Bills

**House Bill 1533** is identical to this bill.

**House Bill 139** would establish an individual and corporate income tax credit for certain expenses related to the production of an episodic television series, commercial advertisement, or digital interactive media production.

**House Bill 1318** would extend the sunset date for the Motion Picture Production Tax Credit, transfer authority for the credit from the VFO to the Virginia Tourism Authority, and allow amounts of credits that are not issued to taxpayers to be allocated to taxpayers in future taxable years.

cc : Secretary of Finance

Date: 1/26/2020 RWC  
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