

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** William R. Janis

3. **Committee** House Finance

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

2. **Bill Number** HB 711

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would remove the July 1, 2009 expiration date for the Retail Sales and Use Tax exemption for audio and video works.

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 exemption expires on July 1, 2009.

The effective date of this bill is not specified.

6. **No Fiscal Impact**

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Costs

TAX has not assigned any administrative costs to this proposal 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, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX 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, TAX will identify the costs at that time.

Revenue Impact

This bill is not expected to have any revenue impact. There is no revenue impact associated with removing the sunset provision as provided in this bill because revenue

losses associated with the affected sales and use tax exemption are already factored into the official revenue forecasts and budget.

9. Specific agency or political subdivisions affected:

TAX

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The audiovisual works exemption was originally enacted by the 1995 General Assembly.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 previously extended from June 30, 1997, to June 30, 2002 by the 1997 General Assembly (Acts of Assembly 1997, Chapter 705), from June 30, 2002 to July 1, 2004 by the 2002 General Assembly (Acts of Assembly 2002, Chapter 777), and from July 1, 2004 to July 1, 2009 by the 2004 General Assembly (Acts of Assembly 2004, Chapter 101).

Similar Legislation

House Bill 1393 and **Senate Bill 667** (identical) would provide for and expand a series of tax incentives for motion picture production companies that make films and episodic television series in the Commonwealth. The tax incentives include refundable income tax credits and the expansion of several retail sales and use tax exemptions to include streaming videos, digital images and, from July 1, 2008 to July 1, 2009, the purchase or lease of tangible personal property or services for use by the motion picture crew in producing a motion picture film in Virginia, including, but not limited to lodgings and meals.

cc : Secretary of Finance

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