DEPARTMENT OF TAXATION
2014 Fiscal Impact Statement

1. Patron Terry G. Kilgore

2. Bill Number HB 460

House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

Second House:
_____ **In Committee**
_____ **Substitute**
__X__ **Enrolled**

3. Committee Passed House and Senate

4. Title Motion Picture Production Tax Credit

5. Summary/Purpose:

This bill would increase the Motion Picture Production Tax Credit cap from $5 million per biennium to $6.5 million per fiscal year, beginning in Fiscal Year 2015.

This bill would require the Department of Taxation ("the Department") to publish specified information regarding the Motion Picture Production Tax Credit in its report to the General Assembly, regardless of how many taxpayers claim the credit.

This bill would impose a January 1, 2019 sunset date on the Motion Picture Production Tax Credit.

The effective date of this bill is not specified.

6. Budget amendment necessary: Yes.
Page 1, Revenue Estimates.

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

Fiscal Year	***Dollars***	***Fund***
2013-14	$0	GF
2014-15	($4 million)	GF
2015-16	($4 million)	GF
2016-17	($4 million)	GF
2017-18	($4 million)	GF
2018-19	($4 million)	GF
2019-20	($4 million)	GF

8. Fiscal implications:

Administrative Costs

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

Revenue Impact

This bill is estimated to have a negative revenue impact of $4 million per fiscal year, beginning in FY 2015. This bill would increase the tax credit cap from $5 million per biennium to $6.5 million per fiscal year. 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 amount of tax credits each fiscal year. Because the Department estimates that the full tax credit would be issued in each fiscal year, the increased tax credit cap would have a negative revenue impact of $4 million in each fiscal year.

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.

Proposed Legislation

This bill would increase the Motion Picture Production Tax Credit cap from $5 million per biennium to $6.5 million per fiscal year, beginning in Fiscal Year 2015.

This bill would require the Department to publish specified information regarding the Motion Picture Production Tax Credit in its report to the General Assembly, regardless of whether such information is classified so 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, 2019 sunset date on the Motion Picture Production Tax Credit.

The effective date of this bill is not specified.

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 table on the following page 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

cc : Secretary of Finance

Date: 3/13/2014 MTH
HB460FER161