

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Roxann L. Robinson

3. **Committee** Senate Finance

4. **Title** Advance the Sunset for the Motion Picture
Production Tax Credit

2. **Bill Number** HB 1665

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would extend the expiration date of the Motion Picture Production Tax Credit from January 1, 2019 to January 1, 2022. The Tax Commissioner would not be permitted to issue these credits subsequent to the Commonwealth's fiscal year ending June 30, 2022.

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

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

Because the extension of the sunset date for the Motion Picture Production Tax Credit is assumed in the official General Fund revenue forecast, 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 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.

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. 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 |

The credit is currently scheduled to expire for taxable years beginning on or after January 1, 2019.

Film Tax Credits in Other States

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

Sunset Dates for Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the 2016 Appropriations Act provides that the General Assembly may not advance the sunset date for any existing income tax credit or sales tax exemption beyond June 30, 2022. Any new income tax credit or sales tax exemption enacted by the General Assembly prior to the 2021 Session must have a sunset date not later than June 30, 2022. This requirement does not apply to sales tax exemptions related to nonprofit entities or to income tax credits or sales tax exemptions with sunset dates after June 30, 2022 that were enacted or advanced during the 2016 Session.

Proposed Legislation

This bill would extend the expiration date of the Motion Picture Production Tax Credit from January 1, 2019 to January 1, 2022. The Tax Commissioner would not be permitted to issue these credits subsequent to the Commonwealth's fiscal year ending June 30, 2022.

The effective date of this bill is not specified.

Similar Bills

Senate Bill 982 is identical to this bill.

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: 2/6/2017 MTH
HB1665FE161