

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** L. Louise Lucas

3. **Committee** House Finance

4. **Title** Individual and Corporate Income Tax;
Extend the Sunset Date for the Motion
Picture Production Tax Credit

2. **Bill Number** SB 923

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would extend the sunset date for the Motion Picture Production Tax Credit from January 1, 2022 to January 1, 2025.

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

6. Budget amendment necessary: No.

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

Because the extension of the sunset date of 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:

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.

Sunset Dates for Income Tax Credits and Sales Tax Exemptions

Section 3-5.14 of the Appropriation 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 sunset date for the Motion Picture Production Tax Credit from January 1, 2022 to January 1, 2025.

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

Similar Bills

House Bill 1533 would extend the sunset date for the credit to January 1, 2025, increase the annual credit cap for the credit from \$6.5 million per fiscal year to \$13 million, and require that \$6.5 million of the cap be allocated only for productions filmed in an economically distressed area of the Commonwealth.

House Bill 1318 would extend the sunset date for the credit and media-related sales and use tax exemption to January 1, 2027, and transfer authority for the credit from the VFO to the Virginia Tourism Authority.

cc : Secretary of Finance

Date: 2/11/2020 RWC
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