

# DEPARTMENT OF TAXATION

## 2023 Fiscal Impact Statement

1. **Patron** David A. Reid

3. **Committee** House Finance

4. **Title** Motion Picture Production Tax Incentives

2. **Bill Number** HB 1767

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would increase the Motion Picture Production Tax Credit's annual cap from \$6.5 million to \$10 million on the amount of credits that may be allocated each fiscal year beginning in Fiscal Year 2024.

If enacted during the regular session of the 2023 General Assembly, this bill would be effective July 1, 2023.

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

Item(s): Page 1, Revenue Estimates

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

#### 7b. **Revenue Impact:**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2023-24	(\$3.5 million)	GF
2024-25	(\$3.5 million)	GF
2025-26	(\$3.5 million)	GF
2026-27	(\$3.5 million)	GF
2027-28	(\$3.5 million)	GF
2028-29	(\$3.5 million)	GF

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

#### Administrative Costs

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

#### Revenue Impact

This bill would have an estimated negative General Fund revenue impact of up to \$3.5 million annually beginning in Fiscal Year 2024. This bill would increase the tax credit cap

from \$6.5 million to \$10 million per fiscal year. Based upon the current utilization of the credit, the Department estimates that all \$10 million of tax credits authorized by this bill would be issued each fiscal year. Accordingly, the increased tax credit cap would have a negative revenue impact of \$3.5 million in each fiscal year.

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

Virginia Tourism Authority  
Department of Taxation

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

**11. Other comments:**

Motion Picture Production Tax Credit

During the 2011 Session, the General Assembly enacted the Motion Picture Production Tax Credit. This credit consists of 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 increases 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 currently capped at \$6.5 million per fiscal year.

Proposed Legislation

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cc : Secretary of Finance

Date: 1/14/2023 RWC  
HB1767F161