

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1754-02  
Bill No.: HB 803  
Subject: Tax Credits  
Type: Original  
Date: March 17, 2015

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Bill Summary: This proposal modifies the film tax credit program.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0 to (\$4,500,000)	\$0 to (\$4,500,000)	\$0 to (\$4,500,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (\$4,500,000)</b>	<b>\$0 to (\$4,500,000)</b>	<b>\$0 to (\$4,500,000)</b>

**Note:** The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials at the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** assume an unknown reduction of premium tax revenue as a result of the modification of the film tax credit is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP requires 56.16 hours of programming at \$75 per hour for a total of \$4,212 to the Premium Tax Credit System.

**Oversight** assumes DIFP is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DIFP could absorb the programming costs related to this proposal. If multiple bills pass which require additional duties at substantial costs, DIFP could request funding through the appropriation process.

In response to similar legislation filed this year (SB541), officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would reauthorize the Film Production Tax Credit that expired on November 28, 2013. There is a \$4,500,000 cap on the tax credit. Therefore, BAP estimates this proposal could reduce general and total state revenues up to this amount annually, and could impact the calculation under Article X, Section 18(e).

This program may encourage economic activity within Missouri's film production and related support industries, but B&P does not have the data to estimate the induced revenues.

ASSUMPTION (continued)

**Oversight** notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Film tax credit program had the following activity;

	FY 2012	FY 2013	FY 2014
Certificates Issued (#)	2	0	1
Projects (#)	3	1	3
Amount Authorized	\$139,070	\$639,772	\$2,927,000
Amount Issued	\$139,070	\$0	\$386,000
Amount Redeemed	\$4,839,217	\$56,665	\$119,800

**Oversight** assumes the Film Tax Credit sunset on November 28, 2013. This proposal extends the sunset on the credit until November 28, 2021. Oversight will show the lost revenue to the state as \$0 (no credits issued) to the annual cap of \$4,500,000.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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**GENERAL REVENUE**

<u>Revenue Reduction</u> - extension of the Film Tax Credit sunset date	\$0 to <u>(\$4,500,000)</u>	\$0 to <u>(\$4,500,000)</u>	\$0 to <u>(\$4,500,000)</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 to <u>(\$4,500,000)</u></b>	<b>\$0 to <u>(\$4,500,000)</u></b>	<b>\$0 to <u>(\$4,500,000)</u></b>
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**Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### FISCAL DESCRIPTION

This bill requires a qualified film production project to feature a state or logo designated by the Department of Economic Development indicating that the project was filmed in Missouri in order to qualify for the tax credit.

Currently, a taxpayer is allowed a tax credit for up to 35% of the amount of qualifying expenses in a qualified film production project per year. Beginning January 1, 2015, the bill allows a taxpayer to claim a tax credit equal to 20% for qualifying in-state expenses, which are expenses spent in this state for goods and services and compensation and wages paid to Missouri residents except for those paid to highly compensated individuals.

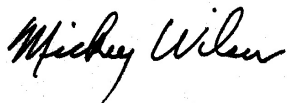
The bill allows a taxpayer to claim a tax credit equal to 10% for qualifying out-of-state expenses, which are all compensation and wages paid to non-Missouri residents except for those paid to highly compensated individuals. A highly compensated individual is anyone who receives more than \$250,000 in compensation for a single qualified film production project. An additional 5% may be earned for qualifying expenses if at least 50% of the production is filmed in Missouri.

The provisions of this bill will expire six years after November 28, 2015.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of Administration's Division of Budget and Planning  
Department of Insurance, Financial Institutions, and Professional Registration



Mickey Wilson, CPA  
Director  
March 17, 2015

Ross Strope  
Assistant Director  
March 17, 2015