COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1754-03
Bill No.: HCS for HB 803
Subject: Tax Credits
Type: Original
Date: April 13, 2015

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)
Total Estimated Net Effect on General Revenue	**$0 to ($4,500,000)**	**$0 to ($4,500,000)**	**$0 to ($4,500,000)**

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
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

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
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

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

☒ 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
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

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.

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 BAP does not have the data to estimate the induced revenues.

Officials at the **Department of Revenue** assume no fiscal impact from this proposal to their organization.

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.

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
Revenue Reduction - extension of the Film Tax Credit sunset date	$0 to ($4,500,000)	$0 to ($4,500,000)	$0 to ($4,500,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 to ($4,500,000)**	**$0 to ($4,500,000)**	**$0 to ($4,500,000)**

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.

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
	$0	**$0**	**$0**

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
Department of Revenue

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