

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSSSB 230(L&C)
 (S) Publish Date: 2/15/08

Identifier (file name): SB230-DOR-TAX-2-04-08 Dept. Affected: Revenue 04
 Title: Film Office / Film Production Tax Credit RDU: Taxation and Treasury
 Component: Taxation and Treasury
 Sponsor: Senators Ellis, Stevens
 Requester: (S) Labor & Commerce Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	*	0.0	*	*	*	*	*
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See Attached.

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 Division: Tax
 Approved by: Jerry Burnett
Department of Reveue

Phone (907) 465-3279
 Date/Time 2/4/2008
 Date 2/4/2008

FISCAL NOTE #1

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSSSSB 230(L&C)

ANALYSIS CONTINUATION

Bill Language:

This bill will create a tax credit, applicable against corporate income tax liability, for certain film production activities in the state of Alaska. Features of the credit include:

- Base tax credit equal to 25% of qualified production expenditures
- An additional 10% credit for qualified wages paid to Alaska residents
- An additional 1% credit for qualified expenditures made in a rural area
- An additional 1% credit for qualified expenditures made between October 1 and March 30
- Unused credits may be transferred or carried forward for future liability

The credit is available only if certain conditions are met: the film producer must have over \$50,000 in qualified expenditures in Alaska, they must employ interns from the Alaska film production internship program, and the production must be approved by a newly created Film Office in the Department of Commerce, Community and Economic Development. The credit is targeted by way of excluding several categories of film production. The following categories of film production would not be eligible for the credit: News, weather and current events programming; financial, talk or game shows; productions intended primarily for industrial, corporate, institutional or internal purposes; sports events or programs; gala presentations or awards shows; infomercials and productions that solicit funds; political advertisements; and productions that are obscene, pornographic or determined to be detrimental to the people of the state.

Alaska will join a growing number of states that have a film production tax credit. According to an April 2007 article in "The Hollywood Reporter," there were 31 states with film production tax credits at that time, with several others considering the credits.

Film production tax credits vary between states, with the most generous as of April 2007 being Connecticut's 30% transferable credit on all production expenses over \$50,000 with no cap on the amount of the credit. Like Connecticut's credit, Alaska's proposed credit would be transferable, requires \$50,000 in eligible expenses, and has no cap. Alaska's 25% base tax credit can be augmented by the additional 10% credit for Alaska resident payroll, 1% credit for rural expenditures and 1% credit for off-season production. It is possible that the base credit and additional credits will make Alaska's credit one of the most generous in the nation, rivaling Connecticut's 30% credit.

Revenues:

The revenue impact of this bill is indeterminate. It is not possible to estimate the amount of liability that could be generated or offset by this credit because of lack of information about the value of current eligible film production expenditures in the state and difficulty estimating the amount of new eligible expenditures that might be attracted to the state.

Corporate income tax is paid in four quarterly installments throughout the tax year, plus a payment with return in March of the following year. We anticipate that eligible companies will adjust their payments beginning in FY 2009 to account for the impact of the new film production tax credit.

Expenditures:

We anticipate that this credit can be implemented in the Department of Revenue using existing staff and resources. Most of the work related to credit approval and determinations will be made by the Department of Commerce, Community and Economic Development.