

FISCAL NOTE

STATE OF ALASKA cost # codes
 2012 LEGISLATIVE SESSION

Bill Version HCS CSSB 23(FIN)
 Fiscal Note Number 6
 Publish Date 4/14/12 (H)

Identifier (file name) SB023HCSCS(FIN)-DOR-Tax-04-13-12 Dept. Affected Revenue
 Title Film Production Tax Credit Appropriation Taxation and Treasury
 Allocation Tax Division
 Sponsor Senator Ellis
 Requester House Finance OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services			176.8	176.8	176.8	176.8	176.8	176.8
Travel			20.0	20.0	20.0	20.0	20.0	20.0
Services			9.4	9.4	9.4	9.4	9.4	9.4
Commodities			1.0	1.0	1.0	1.0	1.0	1.0
Capital Outlay			12.0					
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	219.2	207.2	207.2	207.2	207.2	207.2

FUND SOURCE (Thousands of Dollars)

	FY13	FY13	FY14	FY15	FY16	FY17	FY18
1002 Federal Receipts							
1003 GF Match							
1004 GF			219.2	207.2	207.2	207.2	207.2
1005 GF/Prgm (DGF)							
1037 GF/MH (UGF)							
1178 temp code (UGF)							
TOTAL	0.0	0.0	219.2	207.2	207.2	207.2	207.2

POSITIONS

	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Full-time			2	2	2	2	2
Part-time							
Temporary							

CHANGE IN REVENUES	0.0	0.0	***	***	***	***	***
---------------------------	------------	------------	------------	------------	------------	------------	------------

Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated to reflect the reduction in positions as requested by House Finance Committee and to correct total tax credits allowed from \$200 million to \$300 million in the analysis.

Prepared by Johanna Bales, Deputy Director
 Division Tax
 Approved by Bruce Tangeman, Deputy Commissioner
Department of Revenue

Phone (907) 269-6628
 Date/Time 4/13/2012 11:45 p.m.
 Date 4/13/2012

Analysis**Bill Language:**

This bill transfers the Film Office which currently resides in the Department of Commerce, Community, and Economic Development to the Department of Revenue and creates the Alaska Film Incentive Review Commission within the Department of Revenue. This bill extends the current film production tax credit, which will expire effective July 1, 2013, to June 30, 2023. Under current law, the film production tax credit expires the earlier of July 1, 2013 or when total credits issued by the Film Office exceed \$100,000,000 in the aggregate. This bill limits the total amount of credits allowed to be awarded to \$100,000,000 before July 1, 2013 and an additional \$200,000,000 before July 1, 2023 with total aggregate credits limited to \$300,000,000. Currently, the film credit may only be claimed against the Alaska corporate income tax. This bill expands the use of the credit to the insurance premiums, title insurance, oil and gas production and property, mining license, and fisheries business and landing taxes. This bill also extends the current expiration period of a single credit from three to six years and allows several tax credits to be pooled into a single credit certificate. However, pooling of credits does not extend the six year expiration period of a single credit. This bill increases the credit percentage for local hire from 10 to 20 percent and the credit percentage of qualified expenditures made in a rural area from two to six percent and limits the credit percentage on salaries and benefits paid nonresidents to the greater of 5%, but not more than 30% if certain criteria are met. This bill also allows the state to review, audit, and bring legal proceedings to recover any amount of a tax credit from a producer that is liable for damages to the state within 6 years after the credit is awarded. Currently, the state may only recover damages within one year after the credit is awarded. The effective date of the legislation is July 1, 2013 and there is a provision which sunsets the entire program no later than June 30, 2023.

Revenues:

This bill increases the total film production tax credit from \$100,000,000 to \$300,000,000 and extends the current film credit program another 10 years to June 30, 2023. The current program is set to expire July 1, 2013. It is difficult to determine the total affect on state revenues as a result of this bill. Although this bill would allow the credit to be used to offset taxes in additional tax programs, the total decrease in revenue received in these programs cannot exceed \$200,000,000 between the periods of July 1, 2013 and June 30, 2023. Therefore, the total revenue affect as a result of this bill between July 1, 2013 and June 30, 2023 is estimated to be no more than \$200,000,000.

Expenditures:

Department of Revenue will take on all duties, except economic development and film promotion, currently performed by the Film Office which resides in the Department of Commerce, Community, and Economic Development (DCCED) and also be responsible for establishing and advising the Alaska Film Incentive Review Commission. There is a transition clause within the bill that transfers employees of the existing Film Office to the Department of Revenue. When the Film Office was originally established in 2008, 2.25 positions were funded for that office. The primary duty of those positions is economic development. The Film Office within the Department of Revenue will be responsible to analyze film applications and production expenditures and issue and track film credits which may be applied against 8 different tax programs. This bill requires the Department to provide an on-site liaison to large film productions and the department expects to incur up to \$20,000 each year in travel expenses to perform this duty. The Department believes it will need one Tax Auditor III (Range 20) and one Tax Technician II (Range 12) to conduct the audit and review activities as well as act as an on-site liaison. In addition, the Department of Commerce will transfer an Executive Director position (Range 20) to the Department of Revenue. That position is not reflected in this fiscal note. All positions will reside in Anchorage.