

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSHB 112(FIN)
Fiscal Note Number: 4
(H) Publish Date: 3/12/14

Identifier: HB112-DOR-TAX-10-04-2013
Title: REPEAL FILM PRODUCTION TAX CREDIT
Sponsor: STOLTZE
Requester: (H) FIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services		338.4			(304.8)	(304.8)	(304.8)
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	338.4	0.0	0.0	(304.8)	(304.8)	(304.8)

Fund Source (Operating Only)

1004 Gen Fund		338.4			(304.8)	(304.8)	(304.8)
Total	0.0	338.4	0.0	0.0	(304.8)	(304.8)	(304.8)

Positions

Full-time		3.0			(3.0)	(3.0)	(3.0)
Part-time							
Temporary							

Change in Revenues		***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0

Estimated CAPITAL (FY2015) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 06/30/19

Why this fiscal note differs from previous version:

Updated for 2014 legislative session.

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Division: <u>Tax Division</u>	Date: <u>12/23/2013 01:17 PM</u>
Approved By: <u>Angela M. Rodell, Commissioner</u>	Date: <u>12/23/13</u>
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS #4

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSHB 112(FIN)

Analysis

Bill Language:

This bill would repeal the current film production tax credit and the provisions of Chapter 51, SLA 12, which moved the Film Office to the Department of Revenue from the Department of Commerce, Community and Economic Development (DCCED), extended the film program for 10 years, and increased the total aggregate film credits allowed to be awarded from \$100 million to \$300 million. The bill allows a tax credit to be awarded to any production that receives a notice of qualification under current law, provided that the notice of qualification is submitted prior to July 1, 2014 and that total aggregate film credits awarded do not exceed \$100 million. This bill keeps the provision in existing statute that allows the Department of Revenue to file legal proceedings up to 6 years after the date a tax credit is awarded if the department determines that the film producer is liable for damages to the state or any political subdivision of the state.

Revenues:

The original film credit program was established in 2008 with a sunset provision of June 30, 2013. The aggregate amount of film credits available to be authorized during the original 5-year period was \$100 million. Chapter 51, SLA 12, extended the film program 10 years to June 30, 2023 and increased the aggregate amount of film credits allowed to be awarded to \$300 million. To date, the Department of Revenue has issued \$40.7 million in film credits and over \$60 million in additional film credits have been preapproved. If all productions receive a notice of qualification prior to July 1, 2014, the maximum credits issued under existing law would be over \$100 million. However, this bill provides that a maximum of \$100 million in tax credits may be awarded. If the film tax credit program is repealed, as a result of this legislation, and all productions that prequalified, up to a maximum of \$100 million, were awarded a tax credit, the state would see an increase in tax revenue of \$200 million between July 1, 2014 and June 30, 2023. This amount represents the difference between the current statutory cap of \$300 million and the statutory cap of \$100 million in the original legislation that passed in 2008.

Expenditures:

The department requested and received three additional positions to administer the film program within the Department of Revenue. The repeal of the film production tax credit would result in personal service savings of \$304,800 to the department and the three positions requested would be eliminated from the department's budget beginning in FY 2018. This bill provides that any tax credits preapproved prior to July 1, 2014 would still be allowed under previous law. The department would need to maintain staff for at least three years to process those tax credits that were preapproved and which have 2 years to submit a final application and an additional year for the state to challenge the validity of the tax credit. We anticipate the provisions within this bill can be implemented in the Tax Division using this existing staff and resources for the next three years.

Regulations:

Regulations adopted by the department for this program would be repealed by June 30, 2019.