



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

**Bill #** HB0120

**Title:** Remove sunset on the big sky on the big screen act

**Primary Sponsor:** Williams, Kathleen

**Status:** As Introduced

- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$3,500	\$3,500	\$3,500	\$3,500
<b>Revenue:</b>				
General Fund	(\$116,000)	(\$121,000)	(\$126,000)	(\$132,000)
State Special Revenue	\$3,500	\$3,500	\$3,500	\$3,500
<b>Net Impact-General Fund Balance:</b>	<u>(\$116,000)</u>	<u>(\$121,000)</u>	<u>(\$126,000)</u>	<u>(\$132,000)</u>

**Description of fiscal impact:** The proposed legislation would reenact the Big Sky on the Big Screen Act which sunset on January 1, 2015. The proposed legislation maintains the Big Sky on the Big Screen Act's 9% tax credit on qualified expenditures, and the 14% tax credit on the first \$50,000 of labor expenditures paid to in-state Montana residents made by certified productions.

In HJR 2 most tax credits are estimated as a group and therefore do not necessarily include a revenue impact from the expiration of this specific tax credit. As a result the revenue impact of this bill is effectively reflected in HJR 2.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue**

- Under current law, the credits for expenditures for film production and employment terminate January 1, 2015. This bill would remove the termination date and make the credits permanent.
- The bill retains the same conditions such as the percentages of production costs and the costs related to employment of in-state residents used to calculate the credits as exist under current law. Therefore, the assumption is that the most recent costs, revenues, and numbers of credits will be consistent with future years' costs, revenues and numbers of credits, adjusted for estimated growth in all other credits.

3. The average amount of credits claimed on corporate income tax and individual income tax returns for the two most recent full tax years available was approximately \$110,000 per year.
4. Using the estimated growth rates for all other credits adopted in HJR 2 results in estimated film credits in FY 2016 of \$116,000 and \$121,000 in FY 2017. Applying OBPP estimated growth rates for all other credits results in estimated film credits of \$126,000 in FY 2018 and \$132,000 in FY 2019. To the extent the impact of the expiration of this credit (which would increase revenue) has been specifically included in HJR 2, the film credits are assumed to directly reduce general fund revenue by an equal amount because the tax credits are refundable (see Technical Note #2).
5. Applicants for the credit are required to pay a \$500 application fee which is divided equally between the Departments of Revenue and Commerce to offset costs of administering the credit.
6. This fiscal note assumes that the number of applicants and credits approved will remain relatively low, consistent with recent history, and the department will continue to fund the costs of administering the credit, beyond what is compensated by the application fee, from its general fund appropriation. Therefore, no additional costs to the department are estimated due to this bill.
7. If passed, the bill is effective on passage and approval. It applies retroactively to productions eligible to be a certified state production beginning on January 1, 2015 and thereafter, and to tax years beginning after December 31, 2014.

**Department of Commerce**

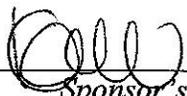
8. It is assumed that all certified productions will claim the full credits in the first tax year they are eligible to claim the credits.
9. Based upon figures provided by the department of revenue, from 2006 through 2013, 53 productions filed for the Big Sky on the Big Screen credits. This averages 6.6 productions a year. For this fiscal note, it is assumed that seven certified productions will occur in each year. The \$500 production tax credit filing fee would be paid by seven certified productions each year would generate at \$3,500 in application revenue (7 x \$500).

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses (DOR)	\$1,750	\$1,750	\$1,750	\$1,750
Operating Expenses (Commerce)	\$1,750	\$1,750	\$1,750	\$1,750
<b>TOTAL Expenditures</b>	<u><u>\$3,500</u></u>	<u><u>\$3,500</u></u>	<u><u>\$3,500</u></u>	<u><u>\$3,500</u></u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	<u>\$3,500</u>	<u>\$3,500</u>	<u>\$3,500</u>	<u>\$3,500</u>
<b>TOTAL Funding of Exp.</b>	<u><u>\$3,500</u></u>	<u><u>\$3,500</u></u>	<u><u>\$3,500</u></u>	<u><u>\$3,500</u></u>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$116,000)	(\$121,000)	(\$126,000)	(\$132,000)
State Special Revenue (02)	<u>\$3,500</u>	<u>\$3,500</u>	<u>\$3,500</u>	<u>\$3,500</u>
<b>TOTAL Revenues</b>	<u><u>(\$112,500)</u></u>	<u><u>(\$117,500)</u></u>	<u><u>(\$122,500)</u></u>	<u><u>(\$128,500)</u></u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$116,000)	(\$121,000)	(\$126,000)	(\$132,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Technical Notes:**

**Department of Revenue**

1. Under current law, this credit terminates at the beginning of CY 2015. By the nature of the application and tax filing process there will be a substantial lag in when the department will be finished processing these credits (which are refundable).
2. The fiscal impact due to the credit being extended in the bill is calculated in this fiscal note as if the full impact of the credit's termination was taken into account in the official revenue forecast.



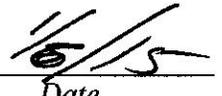
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