

### Fiscal Estimate - 2007 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number 07-4104/1</b>		<b>Introduction Number AB-0907</b>		
<b>Description</b> the transfer of, and the residency requirements under, the film production tax credits.				
<b>Fiscal Effect</b>				
<b>State:</b>				
<input type="checkbox"/> No State Fiscal Effect				
<input type="checkbox"/> Indeterminate				
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues		
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues		
<input checked="" type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget		
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
		<input type="checkbox"/> Decrease Costs		
<b>Local:</b>				
<input type="checkbox"/> No Local Government Costs				
<input type="checkbox"/> Indeterminate				
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
5. Types of Local Government Units Affected				
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input type="checkbox"/> Cities		
<input type="checkbox"/> Counties		<input type="checkbox"/> Others		
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>		
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS				
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>		<b>Date</b>
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785		3/11/2008

**Fiscal Estimate Narratives**  
**DOR 3/11/2008**

LRB Number <b>07-4104/1</b>	Introduction Number <b>AB-0907</b>	Estimate Type <b>Original</b>
<b>Description</b> the transfer of, and the residency requirements under, the film production tax credits.		

**Assumptions Used in Arriving at Fiscal Estimate**

Under the bill, for tax years 2008 and 2009, a film production company may claim the film production services credit for employees who are not residents of Wisconsin at the time they were paid. For tax years 2010 through 2013, a film production company may claim credits for employees who are not residents of Wisconsin if the Department of Commerce certifies that at least 25% of the company's employees were residents of Wisconsin. For tax years 2014 and thereafter, a film production company may claim credits for employees who are not residents of Wisconsin if Commerce certifies that at least 50% of the company's employees were residents of Wisconsin.

The bill also allows a film production company to transfer its film production tax credits to other taxpayers who may claim the credits against their Wisconsin income and franchise tax liability.

**Fiscal Effect**

Data do not exist to estimate the fiscal effect of the bill. There has not been sufficient experience with current film credit to allow for an estimation of how many qualifying productions will take place in Wisconsin, or how large the expenditures and resulting credit would be for these productions. The provisions of the bill that would have an effect on revenue relative to current law relate to changes in the residency requirement and to the transfer of credits.

**1) Changes in Residency Requirements for Wages**

Current law provides a credit equal to 25% of salary and wages paid to employees who were residents of the state at the time they were paid. Under the bill, for tax years 2008 and 2009, a film production company may claim the film production services credit for employees who are not residents of Wisconsin at the time they were paid. For 2010 through 2013, a film production company may claim credits for employees who are not residents of Wisconsin only if the Department of Commerce certifies that at least 25% of the company's employees were residents of Wisconsin. For taxable years beginning on or after January 1, 2014, the company may claim credits for employees who are not residents of Wisconsin only if Commerce certifies that at least 50% of the company's employees were residents of Wisconsin.

On the one hand, to the extent that many employees of out-of-state production companies are presumably non-residents, providing a credit for wages paid to non residents could significantly increase the amount of credits claimed. On the other hand, the fiscal effect of the provision would be reduced to the extent that production companies contract with other entities for labor and thereby claim these costs under the refundable production expenditure provisions of current law. Evidence from the initial applications for the credit suggests that out-of-state production companies will organize in a way that the entity claiming the credit will not have a significant number of employees. Instead, a separate entity will employ the actors and crew and any labor expenses will be treated as production expenditures for purposes of the refundable credit.

**2) Allow the Transfer of Credits**

The bill would allow an entity that is certified for the credit by the Department of Commerce to transfer the credit to another entity. This provision would likely not change the overall revenue loss relative to current law in the long term. However, it is likely that entities interested in transferring credits have little or insufficient tax liability to benefit from the credit, and entities interested in purchasing the credits would do so only to the extent that the credits reduce their tax liability. Thus, the transfer of credits will likely shift the loss of revenue to the near term.

# Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> the transfer of, and the residency requirements under, the film production tax credits.			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$See Text	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	
		<b>Date</b>	
		3/11/2008	