



## Fiscal Estimate Narratives

DOR 2/13/2007

LRB Number	07-1839/1	Introduction Number	AB-0056	Estimate Type	Original
<b>Description</b> The taxable years for which a person may claim the film production services and film production company investment credits					

### Assumptions Used in Arriving at Fiscal Estimate

The draft would accelerate the effective date of the film production services credit and the film production company investment credit from tax years beginning on or after January 1, 2008, to tax years beginning on or after July 1, 2007. Additionally, under the bill expenses paid after December 31, 2006, and before July 1, 2007, may be claimed on the tax return for the first taxable year beginning on or after July 1, 2007.

### Fiscal Effect

Information is not available to estimate the cost of the credits. Credit claims by even one company could have a significant fiscal effect. As an illustration of possible costs associated with the film production services credit, if the credit is applied to wages of \$25,000 for 100 employees, it would reduce revenues by \$625,000 ( $100 \times \$25,000 \times 25\%$ ) for the wage portion of the credit. In addition, if the production had \$10 million of production expenditures revenues would be reduced further by \$2.5 million for the production expenditures portion of the credit ( $\$10 \text{ million} \times 25\%$ ). Assuming 50% of those expenditures were subject to sales and use taxes, the same expenditures would reduce revenues by an additional \$250,000 ( $\$5 \text{ million} \times 5\%$ ). Total revenue loss in this example would be \$3,375,000. If five companies claimed the credit as in the illustration, it would reduce revenues by \$16,875,000.

As an illustration of possible costs associated with the film production company investment credit, if the credit is applied to \$1 million in purchases of eligible property and equipment, revenue would be reduced by \$150,000. If five companies claimed the credit as in the illustration, revenue would be reduced by \$750,000.

Under current law, these revenue effects would have first been realized in FY09. Under this bill, the revenue effects will first be realized beginning in FY08.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number 07-1839/1</b>		<b>Introduction Number AB-0056</b>	
<b>Description</b> The taxable years for which a person may claim the film production services and film production company investment 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>	<b>Date</b>
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