



## Fiscal Estimate Narratives

DOR 1/30/2007

LRB Number	<b>07-0732/1</b>	Introduction Number	<b>AB-0003</b>	Estimate Type	<b>Original</b>
<b>Description</b> Relating to 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 January 1, 2008 to January 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, as defined by the draft, 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