GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1144 (First Edition)

SHORT TITLE: Film Industry Jobs Incentives.

SPONSOR(S): Senator Boseman

FISCAL IMPACT ($Mill.)					
	Yes (x)	No ( )	No Estimate Available ( )		
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
REVENUES:					
State General Fund	-5.4	-5.4	-5.4	-5.4	-5.4
EXPENDITURES:					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
EFFECTIVE DATE: Tax years beginning on or after January 1, 2005					

BILL SUMMARY: **Film Industry Tax Credit**. Allows an income tax credit for 15% of the qualifying production expenses of film and television production companies that spend at least $250,000 in North Carolina on a production. Qualifying expenses include goods and services purchased by the production company and compensation paid by the production company on which it must withhold estimated personal income tax payments. The credit may be taken in the tax year in which the expenditures are incurred. To the extent the credit amount exceeds income tax liability, the remainder is refunded to the taxpayer. The bill requires the Department of Revenue to report annually on taxpayers claiming the credit**. Film Industry Development Account**. Repeals the Account.

ASSUMPTIONS AND METHODOLOGY: **Film Industry Tax Credit** The Department of Commerce provided North Carolina actual expenditure data on five different types of film and television productions that have taken place in recent years: (1) cable movie; (2) small feature film; (3) medium feature; (4) episodic television; and (5) television commercials. The expenditure data was broken down into a number of expense categories. In addition, the Department's material simulated the potential number of productions for each category for January 2005-June 2007. The activity level was based on discussions with the state film office and other industry specialists in the State. Following the traditional practice around the country, the fiscal note did not take into account either the tax benefits or costs associated with additional productions that may occur as a result of the credit. For the purpose of this analysis, it is assumed that the tax year impact of the credit matches up with the fiscal year ending six months after the end of the tax year. Thus, the full impact of the credit for the 2005 tax year would up in the 2005-06 fiscal year. This rationale was based on the fact that the small amount of the credit means that taxpayers are unlikely to reduce their quarterly estimated payments sent in during the tax year. Instead, the relief will be taken in the form of lower final income tax payments or higher tax refunds, both of which occur in the months just following the end of the tax year. There is no way to predict the level of production activity after the end of the 2005-07 biennium. For simplicity purposes, the expected 2005 and 2006 tax year activity levels were used future years. **Film Industry Development Account.** The repeal of the Account would have no impact on the General Fund because there are no balances in the Account.

SOURCES OF DATA:

TECHNICAL CONSIDERATIONS: None

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