Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 521 of the 129th G.A. **Date**: April 24, 2012

Status: As Introduced **Sponsor**: Rep. Dovilla

Local Impact Statement Procedure Required: Yes

Contents: To increase the maximum total amount of refundable tax credits allowed per year for motion picture productions

State Fiscal Highlights

STATE FUND	FY 2013	FY 2014	FUTURE YEARS
General Revenue Fund			
Revenues	Potential revenue loss up to $10 million	Potential revenue loss up to $9.6 million	Potential revenue loss up to $19.2 million per fiscal biennium
Expenditures	- 0 -	- 0 -	- 0 -
Motion Picture Tax Credit Program Operating Fund (Fund 5HJ0)			
Revenues	Potential revenue gain up to $50,000	Potential revenue gain up to $50,000	Potential annual revenue gain up to $50,000
Expenditures	Increase commensurate with revenue gain	Increase commensurate with revenue gain	Increase commensurate with revenue gain

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- Increasing the maximum total amount of refundable tax credits allowed for motion picture productions by $20 million per fiscal biennium will likely reduce GRF revenues.
- The Motion Picture Tax Credit Program Operating Fund (Fund 5HJ0) will realize a revenue gain up to $50,000 per year because the Director of Development may require an application fee to cover administrative costs of the tax credit program.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2012	FY 2013	FUTURE YEARS
Counties, municipalities, townships, and public libraries (LGF and PLF)			
Revenues	- 0 -	- 0 -	Potential revenue losses up to $800,000 per fiscal biennium beginning in FY 2014
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Increasing the maximum total amount of refundable tax credits allowed for motion picture productions by $20 million per fiscal biennium will reduce LGF and PLF revenues up to $800,000 per biennium beginning in FY 2014.

Detailed Fiscal Analysis

H.B. 521 increases the limit on refundable state tax credits for motion picture productions from $20 million per biennium to $40 million per biennium. Beginning in FY 2010, the Department of Development certified motion picture productions as eligible for state tax credits against the personal income tax (PIT) and the corporate franchise tax (CFT). In the first biennium, FY 2010-2011, the Director of Development could not award more than $30 million in credits over the two-year period. Beginning with the FY 2012-2013 biennium, the biennial limit is $20 million, of which not more than $10 million is allowed to be awarded in the first year of a biennium. In addition to increasing the biennial limit, the bill would increase the limit on credits awarded in the first fiscal year of a biennium from $10 million to $20 million.

H.B. 521 does not change parameters of the existing motion picture credit; namely, that eligible motion picture productions must have at least $300,000 in Ohio-based expenditures, and the maximum credit any one production may be awarded is $5 million. Credit awards are for 25% or 35% of eligible expenditures, depending on the nature of the production expense.

Continuing law authorizes a motion picture company that produces at least part of a motion picture in Ohio to apply to the Director of Development to receive a certificate entitling the company to refundable credits against the CFT or PIT. (Because the CFT no longer applies to nonfinancial corporations, in effect the credit against that tax is not subtracted from any tax liability; it is essentially a means of awarding the credit amount in the form in which a refundable tax credit would be paid if the tax still applied to all corporations.)

Fiscal effect

Data from the Department of Development demonstrate that the volume of applications for motion picture production tax credits will vary from year-to-year.[1] It is not unreasonable to assume that the full allotment of credits would be issued to taxpayers if the total credit limit was increased to $40 million per biennium. Because the $5 million limit per production is unchanged by the bill, an increase in tax credits awarded under the program would require that tax credits be issued for more

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[1] The Ohio motion picture production tax credit applies to a variety of different productions; Department of Development data show that television episodes, a commercial, a videogame, and feature film productions of varying budgets all filed applications for credits since the program's inception three years ago.

productions than currently. The utilization of the Ohio credits is dependent on a variety of factors, including (1) the competitiveness of similar tax incentives in other states, and (2) the breadth of potential productions eligible for the incentives. FY 2014 would be the first year of a biennium so the revenue loss could be up to $10 million under the bill. The revenue loss could be larger in FY 2015 if tax credits awarded in FY 2014 were less than the limit. Hypothetically the revenue loss could be up to $20 million that year. The revenue loss would not exceed $20 million for a biennium however, and it would not exceed an average of $10 million per fiscal year.

Local Government Fund and Public Library Fund

Receipts from the personal income tax and corporate franchise tax are deposited into the GRF. Under permanent law, a portion of GRF tax receipts are subsequently transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF). Am. Sub. H.B. 153 (the operating budget act for FYs 2012 and 2013) fixed the LGF and PLF transfer amounts at predetermined levels so that any increase (or decrease) in tax receipts during the biennium will affect the GRF only. For FY 2014 and subsequent years, transfers to the LGF and PLF will resume based on a fixed percentage, but the applicable percentage is not yet known. The Tax Commissioner will determine, by July 5, 2013, the ratio of FY 2013 transfers to the respective funds to total FY 2013 GRF tax revenues. Subsequent transfers to the LGF and PLF will be based on those respective ratios. The revenue loss to the local government funds in FY 2014 and every year thereafter on account of H.B. 521, which is predicated upon the maximum revenue loss for the personal income tax and corporate franchise tax, would be indeterminable for future biennia, but likely no more than an average of $400,000 per year.

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