Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 475 of the 131st G.A. **Date**: May 2, 2016

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

Local Impact Statement Procedure Required: Yes

Contents: To increase the annual cap on refundable motion picture tax credits, modify other aspects of the credit, and create a job training program for resident film crew members

State Fiscal Highlights

STATE FUND	FY 2017	FY 2018	FUTURE YEARS
General Revenue Fund			
Revenues	Loss up to $53 million	Loss up to $53 million	Annual loss up to $53 million
Expenditures	- 0 -	- 0 -	- 0 -
Development Services Agency's Business Assistance Fund (Fund 4510)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of millions of dollars	Potential increase of millions of dollars	Potential increase of millions of dollars

Note: The state fiscal year is July 1 through June 30. For example, FY 2018 is July 1, 2017 – June 30, 2018.

- Increasing the annual cap on motion picture tax credits will increase the average annual GRF revenue loss by up to $53 million.
- Creating a job training program for resident film crew members and requiring the Development Services Agency (DSA) to authorize a reimbursement payment to motion picture companies will potentially increase DSA expenditures. The bill does not include an appropriation nor does it specify a funding source.
- Potentially, the existing application fee paid by all motion picture companies could be increased to pay for the motion picture companies that are entitled to reimbursements for film and multimedia trainees.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2016	FY 2017	FUTURE YEARS
Local Government Fund (LGF) and Public Library Fund (PLF)			
Revenues	- 0 -	Loss up to $1.8 million	Annual loss up to $1.8 million
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.

- The Local Government Fund (LGF) and Public Library Fund (PLF) receive 1.66% and 1.70%, respectively, of GRF taxes during FY 2016 and FY 2017. The PLF share will revert to 1.66% beginning in FY 2018 under current law. The two funds' combined average annual revenue loss could be up to $1.8 million.

Detailed Fiscal Analysis

Motion picture tax credit

H.B. 475 increases the total amount of credits that may be awarded from $40 million per fiscal biennium to $75 million per fiscal year. If the total amount of credits allowed in a fiscal year is less than the annual cap, the bill requires the difference between the amount allowed and the annual cap to be carried forward and added to the aggregate amount of credits that may be allowed in the following fiscal year.

The bill sets the credit value equal to 30% of all eligible expenditures. Under current law, the credit equals 35% of resident cast and crew wages plus 25% of all other eligible expenditures. Additionally, the bill removes the $5 million cap on the credit value for a single production.

The bill makes the refundable motion picture tax credit transferrable. The Development Services Agency (DSA) must manage and verify the movement of tax credit certificates via information that must be submitted to DSA by the motion picture company. The motion picture company may not make more than one transfer, but the company may allocate the authority to claim a portion of the credit to more than one transferee. All the changes to the existing tax credit would be effective for tax credits issued on or after July 1, 2016.

The annual revenue loss, borne primarily by the GRF, would average up to $55 million (equal to $75 million minus $20 million, since the $40 million figure cited above is for a biennium). After accounting for portions of the revenue loss that would be passed through to the local government funds, the GRF revenue loss would average up to $53 million per year.

Development Services Agency

Beginning in FY 2017, DSA must implement a program authorized by H.B. 475. The Agency must establish a program for the training of Ohio residents who are or wish to be employed in the film or multimedia industry. Doing so entails: (1) certifying individuals as film and multimedia trainees, (2) accepting applications from motion picture companies that intend to hire and provide on-the-job training to one or more certified film and multimedia trainees, and (3) authorizing a reimbursement payment to each motion picture company that must equal 50% of the salaries paid to film and multimedia trainees employed in the tax-credit eligible production.

Although the bill does not include a funding source or an appropriation for the training program, DSA currently funds the costs of administering the Motion Picture Tax Credit Program through the Business Assistance Fund (Fund 4510). DSA is authorized under current law to set "a reasonable application fee" by rule to cover the program's operating costs.[1] DSA would presumably be permitted to add or change program fees to cover the new training program. If H.B. 475 were enacted, DSA could raise the application fees paid by all motion picture companies to pay those motion picture companies that are entitled to reimbursements for film and multimedia trainees.

However, there would be a constraint if the trainee reimbursement program were to be funded under Fund 4510 line item 195649, Business Assistance Programs. The line item received appropriations of $5 million in each of FY 2016 and FY 2017 in H.B. 64 of the 131st General Assembly, the main operating budget act for the biennium. Since this line item is used by DSA to cover operating costs of the Motion Picture Tax Credit Program and several other loan and tax credit programs, there may be a limit to the funding available until the end of FY 2017 for the trainee reimbursement program under the bill.

Local fiscal effect

Continuing law authorizes a motion picture company that produces at least part of a motion picture in Ohio and incurs at least $300,000 in Ohio-sourced expenditures to apply to the Director of Development Services to receive a certificate entitling the company to refundable credits against the commercial activities tax (CAT), financial institutions tax (FIT), or personal income tax (PIT). All FIT and PIT revenue as well as 75% of CAT revenue is deposited into the GRF.

The Local Government Fund (LGF) and Public Library Fund (PLF) receive 1.66% and 1.70%, respectively, of GRF taxes during FY 2016 and FY 2017. The PLF share will revert to 1.66% beginning in FY 2018 under current law. The two funds' combined average annual revenue loss could be up to $1.8 million.

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[1] R.C. 122.85(G).