



Ohio Legislative Service Commission

Bill Analysis

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H.B. 475*

131st General Assembly
(As Reported by H. Finance)

Rep. Schuring

BILL SUMMARY

- Adjusts how the refundable motion picture tax credit is calculated.
- Removes the \$5 million limit on the maximum credit amount that may be awarded to a motion picture.
- Requires that at least 5% of the Ohio-sourced expenditures of a motion picture company receiving the credit be paid to minority business enterprises (MBEs).
- Increases the total amount of credits that may be awarded from \$20 million to \$40 million per fiscal year.
- Authorizes motion picture companies to transfer the authority to claim a credit to another person.
- Creates a program for certifying resident film crew trainees and authorizes the state to make payments to motion picture companies equal to 50% of those trainees' salaries.

CONTENT AND OPERATION

Overview

The bill makes several changes to Ohio's refundable motion picture tax credit. The bill changes how the credit is calculated, removes a \$5 million cap on the maximum credit amount that may be awarded to a motion picture, increases the maximum

* This analysis was prepared before the report of the House Finance Committee appeared in the House Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

amount of credits that may be awarded in each fiscal year from \$20 million to \$40 million, requires at least 5% of the Ohio-sourced production expenditures be paid for the services of minority business enterprises, and authorizes motion picture companies to transfer the authority to claim a credit to another person.

Additionally, the bill creates a job training program for Ohio resident film crew members whereby the Director of Development Services is required to pay to the employing motion picture company one-half of the salary of such members certified by the Director.

Ohio motion picture tax credit

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, financial institutions tax, or personal income tax. The bill's tax credit changes apply to certificates issued beginning July 1, 2016.¹

Credit amount

Under current law, for an eligible motion picture, the amount of the credit equals the lesser of \$5 million or a percentage of Ohio-sourced expenditures for goods, services, and payroll. Under current law, this percentage equals 25% of the cost of goods and services (including payroll of nonresidents) and 35% of payroll of Ohio resident cast and crew. The bill sets the credit percentage at 30% for all Ohio-sourced expenditures, including the payroll of Ohio resident cast and crew, and removes the \$5 million credit cap.²

Expenditures paid to minority business enterprises (MBEs)

The bill requires that at least 5% of the Ohio-sourced expenditures of a motion picture company receiving the credit be paid to MBEs.³ An MBE is an individual who is a United States citizen and who owns and controls a business of any kind that is owned or controlled by Ohio residents who are Blacks or African-Americans, American Indians, Hispanics or Latinos, and Asians.⁴

¹ Section 3.

² R.C. 122.85(A)(4), (C)(1)(b), and (C)(4).

³ R.C. 122.85(C)(5).

⁴ R.C. 122.71 (not in the bill) and 122.85(A)(6).



Continuing law requires a motion picture company completing a credit-eligible production to hire an independent certified public accountant (CPA) to determine the amount of the company's Ohio-sourced expenditures that are eligible for the credit. The CPA must issue a report certifying the amount of expenditures to the Director of Development Services and to the motion picture company. The bill requires that the CPA also determine and report the percentage of the motion picture company's Ohio-sourced expenditures that were paid to MBEs.

Under continuing law, the Director may disallow any Ohio-sourced expenditure included in the CPA report. If expenditures are disallowed, the Director must send written notification to the motion picture company stating the reason that the expenditure is disallowed. The bill authorizes the Director to modify the reported percentage of the motion picture company's Ohio-sourced expenditures paid to MBEs in the same manner. As with the company's Ohio-sourced expenditure amount, the reported percentage is subject to inspection and examination by the Tax Commissioner.⁵

The bill prohibits the Director from issuing a tax credit certificate to any motion picture company that does not comply with the 5% MBE expenditure requirement.⁶

Overall credit limit

Current law limits the total amount of tax credit certificates that may be issued to no more than \$40 million in each fiscal biennium and no more than \$20 million for the first fiscal year of the biennium. The bill increases the amount of allowable credits to \$40 million per fiscal year.

Credit certificate transfers

The bill authorizes a motion picture company to transfer the authority to claim all or part of a motion picture tax credit to another person, provided the company provides certain details of the transfer to the Director of Development Services within 30 days after such a transfer. Specifically, the transferring company is required to detail the amount of the credit being transferred, the date of the transfer, and the tax identification number of any transferee. The Director may require a company to supply additional information.

The bill disallows credit transfers after expiration of the time for the motion picture company to claim the credit and requires any transferred credit to be claimed by the transferee for the same tax period for which the company could have claimed the

⁵ R.C. 122.85(C)(3) and (D).

⁶ R.C. 122.85(C)(2) and (5).

credit. A motion picture company may divide portions of a transferred credit between different transferees but may not transfer the same portion of the credit to more than one transferee.⁷

Film crew salary payment program

The bill requires the Director of Development Services to establish and adopt rules administering a program to pay eligible motion picture companies 50% of the salary of certain Ohio resident trainees.⁸ Under this program, the Director certifies resident individuals as eligible for the program if they participate in Director-approved on-the-job film or multimedia training or complete a Director-approved film or multimedia training course. The Director may prescribe additional certification qualifications.

A motion picture company whose production has been certified by the Director as eligible for a motion picture tax credit that intends to employ and provide on-the-job training to a certified individual in that production may apply to the Director for a payment equal to 50% of that certified employee's salary. The bill requires the Director, upon completion of the production, to pay to each approved applicant an amount equal to 50% of the certified individual's salary, though the bill does not specify the revenue source from which the payment may be drawn.

HISTORY

ACTION	DATE
Introduced	02-23-16
Reported, H. Finance	---

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⁷ R.C. 122.85(A)(2) and (H).

⁸ R.C. 122.85(G)(1) and (I).

