

Department of Finance and Administration

Legislative Impact Statement

Bill: SB854 Amendment Number: S1 (3/18/15 Engrossment)
Bill Subtitle: TO AMEND THE DIGITAL PRODUCT AND MOTION PICTURE INDUSTRY DEVELOPMENT ACT OF 2009.

Basic Change : Sponsor: Sen. Sanders

SB854 amends state law to provide sellable income tax credits for production and postproduction expenses for motion pictures. The production and postproduction income tax credits are provided equal to 25% on all qualified costs. An additional income tax credit of 10% is allowed for payroll of below-the-line employees who are full-time residents of Arkansas. In addition to these credits, a credit of 5% shall be allowed for payroll of a below-the-line employee who is honorably discharged veteran of the United States Armed Forces. The total cumulative amount of income tax credits to all production companies shall not exceed \$10,000,000. This credit shall expire on June 30, 2019.

Revenue Impact :

FY16 - \$6.4M

FY17 - \$6.4M

[Impact assumes two films per year with each film having \$10M in production costs and \$2M in Arkansas payroll]

Taxpayer Impact :

Production companies will be able to qualify for income tax credits with increased incentives rather than rebates. Taxpayers must apply to the Arkansas Economic Development Commission to be eligible for a credit and spend at least \$200,000 within a six month period. Weekly expenditure reports should be filed and all expenditure reports must be filed within 180 days after expenses are incurred.

Resources Required :

Update computer programs, tax forms, and instructions.

Time Required :

Adequate time is provided.

Procedural Changes :

Tax forms and instruction booklets will need to be updated.

Other Comments :

Review of similar motion picture tax credits in other states have determined that the cost to the state exceeds the benefits received as demonstrated below:

Table with 5 columns: State, Credit, Film Credit Allowed, Tax Collections from Film Activities, Rate of Return. Rows include Maryland, Massachusetts, N. Carolina, Michigan, and Louisiana with their respective credit percentages, film credit allowed amounts, tax collections, and rates of return.

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Legal Analysis :

This bill replaces the current motion picture incentive based on an appropriation of state revenues and enacts an income tax credit based upon production expenditures. This credit is effective immediately upon passage and approval. Also, the opportunity to earn a tax credit expires on June 30, 2019.