

Department of Legislative Services
 Maryland General Assembly
 2012 Session

FISCAL AND POLICY NOTE

Senate Bill 1066

(Senator Kasemeyer, *et al.*)

Budget and Taxation

Ways and Means

Income Tax - Film Production Credit - Extension and Increase

This bill increases, from \$7.5 million to \$22.5 million, the total amount of credits the Department of Business and Economic Development (DBED) may award in each fiscal year to qualified film production entities under the film production activity credit. The bill also extends the termination date of the credit to July 1, 2016.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: General fund revenues decrease by \$15.0 million in each of FY 2013 and 2014 due to expansion of the credit. Future year revenues reflect extension of the credit as specified by the bill. No effect on expenditures.

(\$ in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
GF Revenue	(\$15.0)	(\$15.0)	(\$22.5)	(\$22.5)	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$15.0)	(\$15.0)	(\$22.5)	(\$22.5)	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: Chapter 516 of 2011 converted the existing Film Production Rebate Program to a tax credit. A qualified film production entity that meets

specified requirements and is approved by DBED may receive a tax credit equal to 25% of qualified film production costs incurred in the State. For a television series, the value of the credit is increased to 27%. If the amount of the tax credit exceeds the total tax liability in the tax year, the entity can claim a refund in the amount of the excess. In order to qualify for the tax credit, the estimated total direct costs incurred in the State must exceed \$500,000. DBED can award a maximum of \$7.5 million in credits in each fiscal year. The credit terminates July 1, 2014. DBED may not issue a tax credit certificate for any fiscal year after fiscal 2014.

Any salary, wages, or other compensation for personal services of an individual who receives more than \$500,000 in salary, wages, or other compensation for personal services in connection with any film production activity may not be included in total direct costs.

The film production entity must notify DBED of its intent to seek the tax credit before the production activity begins. A film production entity is also required to submit an application containing specified information, including the project's estimated total budget and the anticipated dates for carrying out the major elements of the film production activity.

Film production activity is defined as the production of a film or video product that is intended for nationwide commercial distribution and includes a(n) feature film, television project, commercial, infomercial, corporate film, music video, digital project, animation project, or multimedia project. Film production activity does not include a student film; noncommercial personal video; sports broadcast; broadcast of a live event; talk show; video, computer, or social networking game; or pornography.

By January 1 of each year, DBED must report specified information about the credit to the Governor and the General Assembly.

State Revenues: The bill increases to \$22.5 million the total amount of film production credits DBED may award in each fiscal year and extends the termination date of the credit to July 1, 2016. As a result, general fund revenues decrease by \$15.0 million in fiscal 2013, \$15.0 million in fiscal 2014, \$22.5 million in fiscal 2015, and by \$22.5 million in fiscal 2016. It is estimated that DBED will award the maximum amount of credits each year, and that the additional amounts in fiscal 2013 will be awarded in calendar 2012.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Business and Economic Development,
Comptroller's Office, Department of Legislative Services

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ncs/jrb

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