COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0062S.01I
Bill No.: SB 67
Subject: Tax Credits; Entertainment, Sports and Amusements
Type: Original
Date: January 6, 2023

Bill Summary: This Act establishes the Show Missouri Film and Digital Media Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund	$0 or ($112,784)	Up to ($1,502,772) to ($4,624,688)	Up to ($1,502,772) to ($4,626,870)
Total Estimated Net Effect on General Revenue	**$0 or ($112,784)**	**Up to ($1,502,772) to ($4,624,688)**	**Up to ($1,502,772) to ($4,626,870)**

*Oversight notes the range in the fiscal impact stems from the five (5) year average amount of Film Tax Credit(s) issued (as it was administered before sunsetting on November 28, 2013) - to the tax credit cap ($4.5 million annually). Additionally, the fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	**0 or 1 FTE**	**0 or 1 FTE**	**0 or 1 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** notes:

135.750, RSMo creates the "Show Missouri Film and Digital Media Act".

135.750.2 (1) lowers threshold amount for highly compensated individual from $1M to $250,000

135.750.2 (2) adds requirement for Qualified film production project to include a statement or logo designated by the department of economic development in the credits of the film indicating that the project was filmed in Missouri.

135.750.2 (3) adds "in-state" to definition for Qualifying expenses

135.750.2 (4) adds definition for "Qualifying out-of-state expenses"

135.750.3 (3) for all tax years beginning on or after January 1, 2024, a taxpayer shall be allowed a tax credit equal to 25% of qualifying in-state expenses and 10% of qualifying out-of-state expenses. An additional 5% may be earned for both qualifying in-state expenses and qualifying out-of-state expenses if at least 50% of the qualified film production project is filmed in Missouri and at least fifteen percent of the qualified film production project was filmed in an urban, rural, or blighted area. An additional 5% may be earned for both qualifying in-state expenses and qualifying out-of-state expenses if the department of economic development determines that the script of the qualified film production project positively markets a city or region of the state, the entire state, or a tourist attraction located in the state.

The program will automatically sunset on 12/31/2029 unless reauthorized by an act of the general assembly.

Reauthorizing the film tax credit will likely reduce annual TSR by up to the existing annual cap in the amount of $4,500,000 per year. DED will need to hire 1.0 FTE to administer the program, including managing application cycle, reviewing expenses, conduct auditing, and reviewing film scripts for Missouri being portrayed in a positive way.

Oversight assumes DED could absorb some of the additional duties without adding an FTE; however, DED has stated due to current workload, these duties cannot be absorbed. Additionally, it is unclear whether the previous FTE (due to sunset on November 28, 2013) handing this program were retained. Therefore, **Oversight** will range the cost from $0 (duties can be absorbed with existing staff) to the estimated costs provided by DED beginning in FY 2024.

Officials from the **Missouri Department of Revenue (DOR)** assume this proposed legislation modifies the Film Production Tax Credit Program. The proposed legislation updates the definition of "Qualified Film Production Project," and adds the definition of "Qualifying Out-of - State Expenses."

This proposed legislation states that, for all tax years beginning on or after January 1, 2024, a taxpayer shall be allowed a tax credit equal to twenty-five percent (25%) of qualifying in-state expenses and ten percent (10%) of qualifying out-of-state expenses. An additional five percent (5%) may be earned for both qualifying in-state expenses and qualifying out-of-state expenses if at least fifty percent (50%) of the qualified film production project is filmed in Missouri. Another five percent (5%) may be earned for both qualifying in-state and qualifying out-of-stat expenses if the Department of Economic Development determines the film positively markets a city or region of the state.

This proposed legislation states that this credit shall sunset on December 31, 2029, and further states that this section shall terminate on September first of the calendar year immediately following the calendar year in which the program is sunset. This proposed legislation could potentially decrease TSR, specific to GR by an estimated $4.5 million per year. DOR notes this tax credit begins January 1, 2024, and therefore, the first tax returns will be filed starting in January 2025.

Fiscal Year	**Decrease to Total State Revenue - General Revenue**
FY 2024	$0
FY 2025	($4,500,000)
FY 2026	($4,500,000)

For informational purposes, DOR notes this Film Production Tax Credit program was created in 1998 and sunset in 2013. Its original cap was $1.5 million which was increased to $4.5 million in 2008. Below is information on the authorization, issuance and redemption of the credits over the last several years.

Year	Authorized	Issued	Total Redeemed
FY 2022	$0.00	$0.00	$0.00
FY 2021	$0.00	$0.00	$0.00
FY 2020	$0.00	$0.00	$0.00
FY 2019	$0.00	$0.00	$0.00
FY 2018	$0.00	$0.00	$672.38
FY 2017	$0.00	$0.00	$2,375,651
FY 2016	$0.00	$0.00	$6,832.00
FY 2015	$0.00	$2,387,097	$389,942
FY 2014	$2,927,000	$386,000	$119,800
FY 2013	$639,772	$0.00	$56,665
FY 2012	$139,070	$1,390,070	$4,839,217

The Department already has this credit on the MO-TC form, in their individual income computer system, as well as on their website. So making changes to these items is not expected to have a fiscal impact. However, based on the number of returns they receive claiming the credit, they may need additional FTE to handle the processing of those returns. The Department assumes they would ask for that additional FTE during the regular appropriation process should the need be there based on the following redemptions.

DOR anticipates the need for one (1) FTE Associate Customer Service Representative for every 6,000 tax credits redeemed, one (1) FTE Associate Customer Service Representative for every 4,000 tax credit transfers with CISCO phones and licenses, one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated and forms and programming changes.

In response to the similar proposal, SB 721 – 2022, officials from the **Office of Administration – Budget & Planning Division** (**B&P**) stated this proposal reestablishes a tax credit for tax years beginning on or after January 1, 2024, equal to twenty-five percent of qualifying in-state expenses and ten percent of qualifying out-of-state expenses. An additional five percent may be earned for both qualifying in-state expenses and qualifying out-of-state expenses if at least fifty percent of the qualified film production project is filmed in Missouri. An additional five percent may be earned for both qualifying in-state expenses and qualifying out-of-state expenses if the DED determines that the script of the qualified film production project positively markets a city or region of the state, the entire state, or a tourist attraction located in the state.

The cap on the tax credits for all tax years beginning on or after January 1, 2008, is $4,500,000. This proposal could therefore lower general and total state revenues by $4,500,000 per fiscal year, beginning in FY25. To the extent this proposal encourages other economic activity, general and total state revenue may increase, but B&P cannot estimate the induced revenues.

This proposal could impact the calculation pursuant to Article X, Section 18(e).

Oversight notes, per the Tax Credit Analyses submitted for Fiscal Year's 2013 & 2014, the following number of certificates were issued each of the following fiscal years for the Film Tax Credit Program:

Fiscal Year	Number of Certificates Issued
2010	4
2011	5
2012	2
2013	0
2014	1

Therefore, for purposes of this fiscal note, **Oversight** assumes DOR can absorb the responsibilities of the tax credit program with existing resource. Should a significant increase in tax credit redemptions, tax credit transfers, and/or errors/correspondence occur, the Missouri Department of Revenue may seek additional FTE through the appropriation process.

Oversight notes, per the Tax Credit Analyses from Fiscal Year(s) 2010 – 2014, the Film Tax Credit recognized the following activity as it was administered before it sunset November 28, 2013:

Film Tax Credit (Sunset November 28, 2013)					
Fiscal Year	**2010**	**2011**	**2012**	**2013**	**2014**
Certificates Issued (#)	4	5	2	0	1
Projects (#)	4	2	3	3	3
Amount Authorized	$1,768,989	$38,041	$139,070	$639,772	$2,927,000
Amount Issued	$5,181,512	$1,807,030	$139,070	$0	$386,000
Amount Redeemed	$1,925,158	$1,563,218	$4,839,217	$56,665	$119,800

Oversight notes the five (5) average amount of Film Tax Credit(s) issued was $1,502,722.

Oversight notes the tax credit program put forth under this proposed legislation would begin for all tax years beginning on or after January 1, 2024. Oversight notes Tax Year 2024 tax returns claiming the credit will not be filed until after January 1, 2025 (Fiscal Year 2025)

Oversight notes this proposed legislation states that the tax credits certified shall not exceed a total of four million five hundred thousand dollars ($4,500,000) per year.

Therefore, for purposes of this fiscal note, **Oversight** will report a revenue reduction to GR by an amount equal to "Up to $1,502,722" (average amount of Film Tax Credit issued before sunset on November 28, 2013) to $4,500,000 (tax credit cap) beginning in Fiscal Year 2025.

Officials from the **Missouri Department of Commerce and Insurance (DCI)** anticipate a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) as a result of the creation of the Show Missouri Film and Digital Media Act Tax Credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the tax credit.

DCI will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight notes the Missouri Department of Commerce and Insurance assumes the contract computer programming can be absorbed with existing resources. Oversight does not have any information to the contrary. However, should multiple bills pass, the Missouri Department of Commerce and Insurance may seek additional equipment and expense appropriation through the appropriation process.

Additionally, DCI assumes the fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the

General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

FISCAL IMPACT – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
Revenue Reduction- Tax Credit For Expenses For Production Of Qualified Film Production Projects	$0	Up to ($1,502,772) to ($4,500,000)	Up to ($1,502,772) to ($4,500,000)
Cost – DED 135.750	$0 or….	$0 or….	$0 or….
Salaries	($62,220)	($76,157)	($77,680)
Fringe Benefits	($36,265)	($44,076)	($44,646)
Equip & Exp.	($14,299)	($4,455)	($4,544)
Total Cost -	$0 or ($112,784)	$0 or ($124,688)	$0 or ($126,870)
FTE Change - 0 or 1FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0 or ($112,784)**	**Up to ($1,502,772) to ($4,624,688)**	**Up to ($1,502,772) to ($4,626,870)**
Estimated Net FTE Change on General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that qualifies for the tax credit under this proposed legislation.

FISCAL DESCRIPTION

This act reauthorizes a tax credit for certain expenses related to the production of qualified film production projects in this state, as defined in the act. Tax credits for such expenses under previous law expired on November 28, 2013.

For all tax years beginning on or after January 1, 2024, this act authorizes a tax credit equal to 25% of qualifying in-state expenses, as defined in the act, and 10% of qualifying out-of-state expenses, as defined in the act, associated with the production of a qualified film production project. An additional 5% may be awarded for both qualifying in-state and out-of-state expenses if at least 50% of the qualified film production project is filmed in Missouri and at least 15% of the qualified film production project is filmed in an urban, rural, or blighted area. A further additional 5% may be awarded for both qualifying in-state and out-of-state expenses if the Department of Economic Development determines that the script for such project positively markets a city or region of the state, the entire state, or a tourist attraction located in the state.

This act shall sunset on December 31, 2029, unless reauthorized by the General Assembly.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Department of Commerce and Insurance
Missouri Department of Revenue
Department of Economic Development
Joint Committee on Administrative Rules
Office of the Secretary of State

Julie Morff
Director
January 6, 2023

Ross Strope
Assistant Director
January 6, 2023

BB:LR:OD