

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0360S.01I  
 Bill No.: SB 94  
 Subject: Tax Credits; Tax Incentives; Tourism  
 Type: Original  
 Date: January 27, 2023

Bill Summary: This proposal establishes the Show MO Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund*	Up to (\$1,615,556) to (\$16,112,784)	Up to (\$1,627,460) to (\$16,124,688)	Up to (\$1,629,642) to (\$16,126,870)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Up to (\$1,615,556) to (\$16,112,784)</b>	<b>Up to (\$1,627,460) to (\$16,124,688)</b>	<b>Up to (\$1,629,642) to (\$16,126,870)</b>

\*Oversight notes the range in the fiscal impact stems from the five (5) year average amount of Film Production Companies Tax Credit(s) issued (as it was administered before sunseting November 28, 2013) to the annual cap of the Show Mo tax credit cap (\$16 million annually - \$8 million for film production and \$8 million for series production).

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
General Revenue Fund	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposal reestablishes a tax credit for tax years beginning on or after January 1, 2023, equal to twenty percent of qualifying expenses by a production company in connection with a qualified motion media production project. This could be increased for the following reasons:

- An additional five percent may be earned for qualifying expenses if at least fifty percent of the qualified motion media production project is filmed in Missouri.
- An additional five percent may be earned for the qualifying expenses if at least fifteen percent of the qualified motion media production project that is filmed in Missouri takes place in a rural or blighted area in Missouri.
- An additional five percent may be earned for qualifying expenses if at least three departments of the qualified motion media production hire a Missouri resident ready to advance to the next level in a specialized craft position or learn a new skillset.
- An additional five percent may be earned for qualifying expenses if the DED determines that the script of the qualified motion media production project positively markets a city or region of the state, the entire state, or a tourist attraction located in the state, and the qualified motion media production provides no less than five high resolution photographs containing cast with the rights cleared for promotional use by the Missouri film commission, accompanied by a list with the title of production, location, names, and titles of the individuals shown in the photography and photographer credit.

The total dollar amount of tax credits authorized pursuant to subdivision (1) of 135.750.3 shall be increased by ten percent for qualified film production projects located in a county of the second, third, or fourth class.

A qualified motion media production project shall not be eligible for tax credits unless such project employs a number of Missouri registered apprentices or veterans residing in Missouri with transferable skills, as outlined in 135.750.4.

These credits may be sold, assigned, exchanged, conveyed, or otherwise transferred. There is a five year carry forward, provided all such credits shall be claimed within ten tax periods following the tax period in which the qualified motion media production or production-related activities for which the credits are certified by the department occurred.

The cap on the tax credits for all tax years beginning on or after January 1, 2023, is \$8,000,000 for film production and the total amount of all tax credits authorized for series production is \$8,000,000. This proposal could therefore lower general and total state revenues by \$16,000,000

per fiscal year, beginning in FY24. 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).

Officials from the **Missouri Department of Revenue (DOR)** assume this proposal modifies the Film Production tax credit program. It updates the definitions of "Qualified Motion Production Project".

This proposal states that for all tax years beginning on or after January 1, 2023, a taxpayer shall be allowed a tax credit equal to twenty percent (20%) of qualifying expenses. An additional fifteen percent (15%) may be earned if at least fifty percent of the qualified film production project is filmed in Missouri. Another five percent (5%) may be earned if the project is filmed in a rural or blighted area of Missouri. Another five percent (5%) can be earned if the production helps advance Missouri residents learn a new skillset. Finally another five percent (5%) may be earned if the Department of Economic Development determines the film positively markets a city or region of the state. This credit can be increased 10% for projects located in second, third or fourth class counties in Missouri.

This proposal 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 proposal provides that a qualified motion media production shall not be eligible for the tax credit of this section unless it employs a sufficient number of Missouri registered apprentices or veterans residing in Missouri. The amount of people required to be employed scales based on the qualifying expenses of the production.

This proposed legislation changes the cap on the film credit from \$4.5 million to \$8 million annually for film production. Additionally, it adds another \$8 million credit for series production.

This could potentially decrease Total State Revenue, specifically to General Revenue, by an estimated \$16 million per year. DOR notes this proposal would become effective August 28, 2023 and therefore no credits could be issued until after that date. DOR notes this tax credit begins January 1, 2023, and therefore the first tax returns will be filed starting in January 2024.

<b>FY</b>	<b>Decrease to GR</b>
FY 2023	\$0
FY 2024	(\$16,000,000)
FY 2025	(\$16,000,000)
FY 2026	(\$16,000,000)

For informational purposes, the Department 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 few 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
Totals	\$3,705,842.00	\$4,163,167.38	\$7,788,779.17

The Department would need to add these credits to the MO-TC form and to the individual income computer system as well as update their website with this credit. These items are estimated to cost \$7,193. Additionally, the DOR may need the following FTE should the number of redemptions justify the additional FTE.

- 1 FTE Associate Customer Service Representative (\$31,200) for every 6,000 credits redeemed
- 1 FTE Associate Customer Service Representative for every 4,000 tax credit transfers with CISCO phones and license.
- 1 FTE R Associate Customer Service Representative for every 7,600 errors/correspondence generated

Currently the Department believes they could handle the redemptions with existing staff due to the limited number of groups that may qualify for the credit. Should the number of returns they receive claiming the credit increase or multiple bills pass, they may need additional FTE to handle the processing of these 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 needs FTE to process tax credits if the following number of items are received.

**Oversight** assumes, for purpose of this fiscal note, the Missouri Department of Revenue can absorb the responsibilities of the tax credit program with existing resources. 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.

Officials from the **Department of Commerce and Insurance (DCI)** assume Section 135.750 have a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2024, FY2025 and FY2026 as a result of the creation of the "Show MO 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 new tax credit.

**Oversight** notes additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require form reviews, DCI will need to request additional staff to handle the increase in workload. Therefore, Oversight will reflect the no fiscal impact assumed by DCI for fiscal note purposes.

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

The proposal, Section 135.750, RSMo creates the "Show MO Act".

Section 135.750, RSMo creates the "Show MO Act". The program will automatically sunset on 12/31/2029 unless reauthorized by an act of the general assembly.

Section 135.750.2 (1) Modifies the term and definition of "highly compensated individual" to "above-the-line individual"

Section 135.750.2 (2) Modifies the term and definition of "qualified film production project" to "qualified motion media production project," to include videos, video games, virtual reality, etc. and adds a requirement for projects 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.

Section 135.750.2 (3)(b) Adds compensation and wages for above-the-line individuals to the list of qualified expenses, limited to 25% of overall qualifying expenses.

Section 135.750.3 Beginning 1/01/23 a taxpayer would be allowed a credit of 25% of qualifying expenses. An additional 5% may be earned if at least 50% of the project is filmed in MO. An

additional 5% may be earned if at least 15% of the project is filmed in MO takes place in a rural or blighted area in MO. An additional 5% may be earned if at least 3 departments of the qualified motion media production hire a Missouri resident ready to advance to the next level in a specialized craft position or learn a new skillset. An additional 5% may be earned if DED determines that the script positively markets a city or region, the entire state, or a tourist attraction located in the state, and the qualified motion media production provides no less than five high resolution photographs containing cast with the rights cleared for promotional use by the Missouri film commission. Total amount of tax credits authorized shall be increased by 10% for projects located in a county of the second, third, or fourth class.

Section 135.750.4 Establishes requirements for project employment of a minimum number of Missouri registered apprentices or veterans residing in Missouri with transferable skills based on total qualifying expenses.

Section 135.750.5 Adds the requirement for submission of a report by a certified public accountant attesting to the submission of amounts in the final application as qualifying expenses.

Section 135.750.6 Establishes an annual program cap of \$8M in film production tax credits & an annual program cap \$8M in series production tax credits

Section 135.750.9 Defines the tax credits included in this section as a business recruitment tax credit and subject to the provisions of 135.800 to 135.830.

DED will need to hire 2.0 FTE to administer the program. Creating a new tax credit will likely reduce annual TSR by up to the annual cap on the program of \$16,000,000.

**Oversight** notes that DED authorized 3 projects on average per year (15 projects / 5 years) as seen in the “Film Tax Credit (Sunset November 28, 2013)” tables. Therefore, Oversight will assume the need for 1 FTE for DED (Economic Development Specialist at \$74,664 annually) in the fiscal note.

**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

**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:

<b>Film Tax Credit (Sunset November 28, 2013)</b>					
<b>Fiscal Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Certificates Issued (#)</b>	4	5	2	0	1
<b>Projects (#)</b>	4	2	3	3	3
<b>Amount Authorized</b>	\$1,768,989	\$38,041	\$139,070	\$639,772	\$2,927,000
<b>Amount Issued</b>	\$5,181,512	\$1,807,030	\$139,070	\$0	\$386,000
<b>Amount Redeemed</b>	\$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) issuances 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, 2023. Tax Year 2023 tax returns claiming the credit will not be filed until after January 1, 2024 (Fiscal Year 2024). Oversight notes the Film Production Companies Tax Credit (sunset in 2013) and the “Show Mo Act” are different; however, the previous program is the best estimate we have of future program usage.

**Oversight** notes this proposed legislation states that the tax credits certified shall not exceed a total of sixteen million dollars (\$16,000,000) 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 \$16,000,000 (tax credit cap) beginning in Fiscal Year 2024.

**Oversight** notes this fiscal note does not reflect any indirect positive fiscal benefits that would occur if companies utilized the program and made films or series in the state.

#### Rule Promulgation

In response to the similar proposal, SB 58 – 2023, officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to the similar proposal, SB 58 – 2023, officials from the **Office of the Secretary of State (SOS)** assume the proposal will have no fiscal impact on their organization. **Oversight**

does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction- Tax Credit For Expenses For Production Of Qualified Film &amp; Series Production Projects (p. 5,6,7)</u>	Up to (\$1,502,772) to (\$16,000,000)	Up to (\$1,502,772) to (\$16,00,000)	Up to (\$1,502,772) to (\$16,00,000)
<u>Cost – DED – Section 135.750 (p.6)</u>			
Salary	(\$62,220)	(\$76,157)	(\$77,680)
Fringe Benefits	(\$36,265)	(\$44,076)	(\$44,646)
Equipment & Expense	(\$14,299)	(\$4,454)	(\$4,543)
<u>Total Cost – DED</u>	(\$112,784)	(\$124,688)	(\$126,870)
FTE Change – DED	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUNE</b>	<b>Up to (\$1,615,556) to (\$16,112,784)</b>	<b>Up to (\$1,627,460) to (\$16,124,688)</b>	<b>Up to (\$1,629,642) to (\$16,126,870)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

FISCAL IMPACT – Small Business

This proposed legislation could impact small business that benefit from film production or series production in Missouri.

### FISCAL DESCRIPTION

This act creates the "Show MO Act".

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

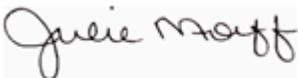
For all tax years beginning on or after January 1, 2023, this act authorizes a tax credit equal to 20% of qualifying expenses, as defined in the act, associated with the production of a qualified motion media production project. An additional 5% may be awarded for each of the following conditions if they are met: 1) at least 50% of the qualified film production project is filmed in Missouri; 2) at least 15% of the project takes place in a rural or blighted area; 3) at least three departments of the production hire a Missouri resident ready to advance to the next level in a specialized craft position or learn a new skillset; 4) 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, and the production provides certain advertising materials, as described in the act. The total dollar amount of tax credits awarded to a qualified film production project may be increased by ten percent if such project is located in a county of the second, third, or fourth class.

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

Office of Administration – Budget & Planning Division  
Department of Economic Development  
Missouri Department of Revenue  
Joint Committee on Administrative Rules



Julie Morff  
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January 27, 2023



Ross Strobe  
Assistant Director  
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