

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1460 (2nd Edition)

SHORT TITLE: Film Industry Incentives

FISCAL IMPACT

	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>
REVENUES*		-\$75,000	-\$100,000	-\$100,000	-\$100,000

PRINCIPAL DEPARTMENT AFFECTED: The sales and use tax is administered by the Department of Revenue. The change will not affect the budget requirements of the Department.

EFFECTIVE DATE: Taxes paid on or after October 1, 2000.

***State General Fund**

• **BILL SUMMARY:**

(1) Creates the Film Industry Development Account within the Department of Commerce, Division of Travel and Tourism. This Account will provide annual grants to production companies that engage in production activities in the State. The grant may not exceed 15% of the amount that the production company spends for goods and services in the State during a calendar year, and the grant may not exceed \$200,000 per production. This part of the bill becomes effective July 1, 2000.

(2) Defines “production company” as a person engaged in the business of making original motion picture, television, or radio images for theatrical, commercial, advertising, or educational purposes. This part of the bill is effective when it becomes law.

(3) Requires the Department of Commerce to make annual reports to the General Assembly regarding the activities of the Film Industry Development Account, and to make quarterly reports to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on the use of the moneys in the Account. This part of the bill becomes effective July 1, 2000.

(4) Authorizes the Department of Administration to provide that a production company will only be charged reimbursement of actual costs incurred and actual revenues lost by the State, when State buildings are made available to a production company for a production. If any State

agency makes real property available to a production company for production, the same limitations on fees apply. This part of the bill is effective when it becomes law.

(5) Allows a production company an annual refund of the sales tax it pays on the rental of transient accommodations for occupancy of its employees. The refund of the State sales tax paid on the rental for the entire rental period is allowed if the employee occupies a transient accommodation for a continuous period of more than 30 days but less than 90 days. The request for refund must be in writing and is barred if applied for later than six months after the end of the State's fiscal year. This part of the bill becomes effective October 1, 2000, and applies to taxes paid on or after that date

ASSUMPTIONS AND METHODOLOGY: Sales Tax Refund. Discussions with the Director of the North Carolina Film Commission indicated that most films and television productions would not be affected because the time on location is under 30 days. The major impact will come from films with budgets of \$25 million or more which remain on location for 60 days or more. For the purpose of this analysis it is assumed that in the highest year the State would experience 6 such films in a year. Each production would involve 100 crew people for 60 days at an average rental cost of \$80 per night. In addition, to make the analysis a "worst case" situation, it is assumed that the State hosts one \$60 million production per year that brings 100 crew members to the State for 90 days. Based on actual prior experience the scenario would be very unlikely. In 1999, for example, the state hosted one film with a budget that exceeded \$25 million. The refund takes place in the fiscal year after the tax is paid. Thus, there will be no budget impact until 2001-02. **Production Company Grants.** There is no data at this time from the Department of Commerce as to the additional budget requirements for administering the grants. One problem is that there are no estimates of the number of grants that will be administered. The bill language does not provide a funding source for any additional requirements.

FISCAL RESEARCH DIVISION 733-4910

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