

REVENUE ESTIMATING CONFERENCE

TAX: Corporate Income Tax
ISSUE: Entertainment Activities Credit
BILL NUMBER(S): SB 2110/HB 1321
SPONSOR(S): Sen. Saunders/Rep. D. Davis
MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2006
DATE OF ANALYSIS: March 14, 2006

SECTION 1: NARRATIVE

a. Current Law: Currently, s. 288.1254, F.S., provides for reimbursement, by the State of Florida, of specified expenditures incurred by film producers in the production of filmed entertainment.

b. Proposed Change: Changes the number of s.288.1254, F.S., to s. 220.192, F.S., and amends it to provide a credit against corporate income tax, rather than a reimbursement of expenditures.

Productions that are qualified by OFE, and certified by OTTED, are eligible for a tax credit of up to 15 percent of qualifying expenditures in Florida on a filmed entertainment program, excluding wages, salaries, and other compensation paid to the two highest-paid employees of the production in Florida.

Tax credits awarded in a fiscal year will be made based on the production’s principal photography start date for the queue in which it is placed, within the first two weeks after the queue’s opening. Other qualified productions entering into the queue after the initial two week opening will be awarded on a first-come, first-served basis. There is a total credit cap of \$25 million per fiscal year. If applications for the credit exceed that amount for a fiscal year, the excess will be treated as having been applied for on the first day of the next fiscal year in which the tax credit remains available for allocation.

If a taxpayer cannot use the full amount of the tax credit granted, the balance may be carried forward for up to five years.

A taxpayer may sell or assign tax credits granted under these provisions. Purchasers of credit may use it subject to the same limitations as could the taxpayer to whom it was granted.

A qualified production company that does not meet the definition of “corporation” provided by paragraph 220.03(1)(e), F.S., may distribute tax credits awarded it to its partners or members in proportion to their respective distributive share of the partners’ or members’ income or loss for the year in which the credits were approved.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

Data on Motion Picture & Video Industry in Florida	U.S. Census Bureau
REC Forecast for wage & salary growth in FL	February 2006 Florida Economic Estimating Conf.

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

1. 2002 Data on Florida annual payrolls grown annually by REC estimates of wage & salary growth in FL.
2. Qualified expenditures estimated as 80% of wages and salaries increased by 50% for other qualified expenditures.
3. 15% applied to qualified expenditures to arrive at total tax credits.
4. 2002 Data on Florida firms grown by 1% annually.
5. Credit per firms calculations show that the cap can be reached without firms exceeding their individual allocation.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact—All Funds	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
High			
Middle	(\$25.0) million	(\$25.0) million	(\$25.0) million
Low			

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SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3 / 17 / 06) The conference adopted the proposed estimate.

	FY 2006-07 Annualized	FY 2006-07 Cash	FY 2007-08 Cash
General Revenue	(25.0)	(25.0)	(25.0)
Total State Impact	(25.0)	(25.0)	(25.0)
Total Local Impact			
Total Impact	(25.0)	(25.0)	(25.0)

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Entertainment Activities Credit

Analysis

	Number of Florida production companies	Annual Payroll	REC growth in wages & salaries	Qualified expenditures	15% Tax Credit	Credit per firm
2002	614	\$116,312,000		\$139,574,400		
2003	620	\$120,964,480	4.0%	\$145,157,376		
2004	626	\$128,948,136	6.6%	\$154,737,763		
2005	633	\$135,266,594	4.9%	\$162,319,913		
2006	639	\$142,570,990	5.4%	\$171,085,189	\$25,662,778	\$40,165
2007	645	\$150,127,253	5.3%	\$180,152,703	\$27,022,906	\$41,875
2008	652	\$158,083,997	5.3%	\$189,700,797	\$28,455,120	\$43,658

Data

Motion Picture & Video Production Industry
 Florida-2002

Firms 614
 Annual Payroll \$116,312,000

Source: US Census Bureau