

# MINNESOTA • REVENUE

## SALES AND USE TAX Inputs to Movie and Television Program Production

March 31, 2004

	<b>Yes</b>	<b>No</b>
Separate Official Fiscal Note Requested		<b>X</b>
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings		

Department of Revenue  
Analysis of H.F. 2836 (Pugh) / S.F. 2850 (Sams) **Preliminary Analysis**

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	(\$690)	(\$750)	(\$750)

Effective for sales and purchases after June 30, 2004

### EXPLANATION OF THE BILL

**Current Law:** Generally, items acquired for use by businesses are taxable.

**Proposed Law:** The bill exempts inputs (consumable items) used primarily in the preproduction, production, and postproduction of movies and television shows. The exemption does not apply to items used for administrative or marketing purposes. It also does not apply to machinery or equipment used in producing movies or TV shows or to fuel, electricity, and other energy used for space heating or lighting.

**Note:** The terms “movies” and “television shows” are undefined. The revenue impact could be larger depending on how broadly these terms are defined.

### REVENUE ANALYSIS DETAIL

- The estimate was based on the 1997 Economic Census, Motion picture and video production sector (NAICS 5121), Minnesota data.
- Receipt lines for the categories “contract production” and “teleproduction and post-production production” were summed.
- The sum was increased by 15% to include businesses without a payroll (businesses not withholding employee income tax) and other parties which may make qualifying purchases to arrive at an estimating base.
- It was estimated that 15% of the total receipts was attributable to the inputs included by the proposed exemption.

**REVENUE ANALYSIS DETAIL (cont.)**

- Annual growth was based on data published by Global Insight, Inc. Because the state's movie and television production industry is not growing at the present time, no growth in revenue impact was assumed past calendar 2004.
- The estimate for fiscal year 2005 was reduced by one-twelfth to reflect 11 months of impact.

**Number of Taxpayers:** Estimated at 50 to 100

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)