

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX CORPORATE FRANCHISE TAX Film Production Tax Credit

March 21, 2006

Preliminary Analysis

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S. F. 2208 (Cohen) / H.F. 3226 (Charron)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	(\$3,100)	(\$3,200)	(\$3,400)

Assumed effective beginning with tax year 2006.

EXPLANATION OF THE BILL

The bill would provide a refundable credit against the individual income and corporate franchise taxes of 15% of specified taxable film production expenditures made in Minnesota.

Note: The term “film” is not defined in the bill. The estimates in this analysis assume that “film” would be defined as motion pictures, including feature films, shorts, and documentaries for commercial distribution. The estimates would change if the term is defined differently.

REVENUE ANALYSIS DETAIL

- The estimate was based on the 1997 Economic Census, motion picture and video production, (industry code 51211), Minnesota report.
- Receipts for contract production, teleproduction, and postproduction services were \$52.311 million. This amount was increased by 15% to include nonemployer service providers and other providers not included in code 51211. That amount was increased by 15% to include equipment rentals.
- Of this amount, it was assumed that 33% represented expenditures on films qualifying under the assumed definition.
- It was estimated that 75% of the expenditures would qualify for the proposed credit,
- Annual growth through 2001 was based on the historical and projected change in consumption of nondurable goods according to Global Insight, Inc., February 2006.
- Growth was held constant past 2001 because feature film production in Minnesota has slackened in recent years; however, growth of 5% per year was assumed beginning in 2007 in response to the incentives in the bill.
- Tax year impact was allocated to the following fiscal year.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy