



**CORPORATE FRANCHISE TAX  
INDIVIDUAL INCOME TAX  
Film Production Credit**

March 27, 2019

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	X	

Department of Revenue

Analysis of H.F. 2658 (Lislegard), As Proposed to be Amended (H2658DE2)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2020</u></b>	<b><u>F.Y. 2021</u></b>	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>
			(000's)	
General Fund	(\$14,000)	(\$14,300)	(\$14,700)	(\$15,000)

Effective beginning with tax year 2019.

**EXPLANATION OF THE BILL**

The bill would allow a credit and/or a transferable credit against the corporate franchise tax and the individual income tax equal to 25% of film production costs for films made in Minnesota by persons or entities that incur such costs and are subject to those taxes. Films include feature films, television or Internet pilots, programs, series, documentaries, music videos, and television commercials. Films must include the promotion of Minnesota and have at least \$1,000,000 of production costs expended in the tax year. If a taxpayer elects to transfer the credit in lieu of claiming the credit, the transferred credit may be sold or assigned, in full or in part, to another taxpayer for not less than 80 percent of the credit amount subject to transfer.

The credit or credit transfer can be carried over to each of the five succeeding table years. The amount of the unused credit or credit transfer must not exceed the taxpayer's liability for tax.

Credits granted to partnerships, S corporations, or a limited liability company taxed as a partnership are passed through to each partner, member, shareholder, or owner respectively.

A taxpayer must apply to the Commissioner of Employment and Economic Development to qualify for a credit or credit transfer. The application must contain information as prescribed by the Commissioner in consultation with the Commissioner of Revenue. The application must indicate if the application is for a credit or a credit transfer in lieu of credit, or a combination of the two.

The Commissioner of Employment and Economic Development may not issue more than \$50 million for tax years 2019 and 2020; \$60 million for tax years 2021 and 2022; and \$75 million for tax year 2023 and beyond. The Commissioner must issue credit certificates on a first-come, first-served basis beginning on January 1 of each year.

## REVENUE ANALYSIS DETAIL

- This estimate uses information from the Minnesota Film and TV Board to estimate the amount of credits and/or transferable credits that would be claimed under the bill.
- In fiscal year 2017, 35 entities (some with multiple productions) spent \$25.4 million in film production costs that qualified for \$5.8 million in Snowbate rebates. Snowbate rebates are either 20% or 25% of production costs, depending on whether the production takes place in the metro area or outstate, and on the amount of those costs if in the metro area. Most of the rebates given were at the 20% level.
- The Snowbate program ran out of available funds in May 2018. Since then, the Minnesota Film and TV Board has received inquiries about film productions that could have qualified for as much as \$28 million in rebates. If the bill were enacted, the board anticipates at least \$10 million in credits for upcoming projects.
- Based on this information, it is assumed that \$14 million in credits would be claimed in each tax year. The actual amount of credits claimed is uncertain and could go up to the maximum credits allowed in the bill.
- The estimate uses Consumer Price Index (CPI) projections to grow the total amount of credits over the forecast period.
- Tax year impacts are allocated to the following fiscal year.

Minnesota Department of Revenue  
Tax Research Division  
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