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## FISCAL IMPACT REPORT

**SPONSOR** Arnold-Jones      **DATE TYPED** 03/04/05      **HB** 1018

**SHORT TITLE** Film Production Tax Credit Requirements      **SB** \_\_\_\_\_

**ANALYST** Padilla-Jackson

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
Indeterminate	Indeterminate			Severance Tax Permanent Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to House Bill 122

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
State Investment Council (SIC)

### SUMMARY

#### Synopsis of Bill

House Bill 1018 would restrict the State Investment Officer's (SIO) ability to purchase film credits from eligible New Mexico film projects. Currently, the SIO is allowed to purchase a portion of an anticipated tax credit available to a film production company. House Bill 1018 would require that at least 10 percent of these purchases of film production tax credits that are made available to film production companies that have corporate officers who are each residents of New Mexico.

#### Significant Issues

According to the SIC, the provisions of this bill would disallow any purchases of film production tax credits if the ten percent rule was could not be met. According to the New Mexico Film Office, little if any of the film production tax credits have gone to film production companies that have corporate officers who are New Mexico residents. It is doubtful that this would amount to ten percent or more in any one year over the next several years. Thus the effect of this legisla-

tion would be to prevent any purchases of the film production tax credits.

SIC also cautions that the current statute is meant to incentivize film production companies to come to New Mexico to produce their projects and thus hire New Mexico residents as cast and crew. If this incentive cannot be offered, film projects could decide not to film in New Mexico and may threaten local jobs in the film industry.

### **FISCAL IMPLICATIONS**

The fiscal impact of this bill is indeterminate due to the uncertainty regarding the ability to meet the 10 percent rule and the uncertainty regarding the investment earnings that the SIC could potentially forgo if these purchases could not be made.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

House Bill 1018 conflicts with House Bill 122, which would also amend the same law. House bill 122 removes the ability for the state investment officer to purchase film production tax credits and, instead, allows the ability to loan against the film production tax credit.

### **ADMINISTRATIVE IMPACT**

The SIC would need to track where corporate offices of a production company reside.

**OPJ/lg**