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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/12

SPONSOR Gentry LAST UPDATED \_\_\_\_\_ HB 302

SHORT TITLE Film Production Tax Credit Indexing SB \_\_\_\_\_

ANALYST Smith

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
(1,000.0)			Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

**No Response from TRD**

### SUMMARY

#### Synopsis of Bill

House Bill 311 changes Film Production Tax Credit Act to require that the current \$50 million limit on the film production tax credit claims be indexed for inflation. The bill also adds definitions for terms “base year” and “consumer price index” and amends the definition of “direct production expenditure” to include related digital content that is provided by a vendor.

House Bill 302 also repeals Laws 2011, Chapter 165, Section 3 (definitions) to reconcile a conflict. This bill reestablishes conforming definitions.

**Effective Date:** July 1, 2012

### FISCAL IMPLICATIONS

The estimate simply grows the \$50 million cap by the CPI forecast of Global Insight, the state’s provider of a national forecast.

**Film Production Tax Credit History**

FY08	50	\$45,605,856.69
FY09	76	\$75,561,982.18
FY10	80	\$65,913,012.54
FY11	55	\$77,013,052.83

**SIGNIFICANT ISSUES**

The film office reports that any changes to the current program may be perceived as uncertainty to the industry, which would result in fewer productions coming to the state and less employment of New Mexicans.

**OTHER SUBSTANTIVE ISSUES**

Does the bill meet the Legislative Finance Committee tax policy principles?

- Adequacy: Revenue should be adequate to fund needed government services.
- Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.
- Equity: Different taxpayers should be treated fairly.
- Simplicity: Collection should be simple and easily understood.
- Accountability: Preferences should be easy to monitor and evaluate

This bill may be counter to the LFC tax policy principle of adequacy. According to the LFC staff General Fund Recurring Appropriation Outlook for FY14 and FY15, December 2011 forecasted revenues will be insufficient to cover growing recurring appropriations

The sponsor might want to consider a “sunset clause” so that the efficacy of this amendment can be evaluated.

SS/lj:amm