

**Department of Legislative Services**  
 Maryland General Assembly  
 2013 Session

**FISCAL AND POLICY NOTE**

Senate Bill 183 (Chair, Budget and Taxation Committee)(By Request - Departmental - Business and Economic Development) and Senator Kasemeyer

Budget and Taxation

Ways and Means

**Income Tax - Business and Economic Development - Film Production Activity Tax Credit**

This emergency departmental bill increases from \$7.5 million to \$25.0 million the total amount of tax credits the Department of Business and Economic Development (DBED) may award in fiscal 2014 to qualified film production entities under the film production activity tax credit. The bill also extends the termination date of the credit by two years to July 1, 2016.

**Fiscal Summary**

**State Effect:** General fund revenues decrease by \$17.5 million in FY 2014 due to the expansion of the tax credit. The Governor’s proposed FY 2014 budget assumes a decrease of \$13.6 million in general fund revenues in FY 2014 due to the expansion of the credit. General fund revenues decrease by \$7.5 million in each of FY 2015 and 2016 due to extension of the credit. No effect on expenditures.

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF Revenue	(\$17.5)	(\$7.5)	(\$7.5)	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$17.5)	(\$7.5)	(\$7.5)	\$0	\$0

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** DBED has determined that the bill has minimal or no impact on small businesses. The Department of Legislative Services agrees with this assessment.

## Analysis

**Current Law/Background:** Chapter 516 of 2011 (SB 672) converted the existing Film Production Rebate Program to a tax credit. A qualified film production entity that meets specified requirements and is approved by DBED may receive a tax credit equal to 25% of qualified film production costs incurred in the State. For a television series, the value of the credit is increased to 27%. If the amount of the tax credit exceeds the total tax liability in the tax year, the entity can claim a refund in the amount of the excess. In order to qualify for the tax credit, the estimated total direct costs incurred in the State must exceed \$500,000. DBED can award a maximum of \$7.5 million in credits each fiscal year from fiscal 2012 through 2014. The credit terminates July 1, 2014, and DBED may not issue a tax credit certificate for any fiscal year after fiscal 2014.

Any salary, wages, or other compensation for personal services of an individual who receives more than \$500,000 in salary, wages, or other compensation for personal services in connection with any film production activity may not be included in total direct costs.

The film production entity must notify DBED of its intent to seek the tax credit before the production activity begins. A film production entity is also required to submit an application containing specified information, including the project's estimated total budget and the anticipated dates for carrying out the major elements of the film production activity.

“Film production activity” is defined as the production of a film or video product that is intended for nationwide commercial distribution and includes a(n) feature film, television project, commercial, infomercial, corporate film, music video, digital project, animation project, or multimedia project. Film production activity does not include a student film; noncommercial personal video; sports broadcast; broadcast of a live event; talk show; video, computer, or social networking game; or pornography.

**State Revenues:** The bill increases the total amount of film production tax credits DBED may award in fiscal 2014 to \$25.0 million and extends the termination date of the credit by two years to July 1, 2016. As a result, general fund revenues decrease by \$17.5 million in fiscal 2014, \$7.5 million in fiscal 2015, and \$7.5 million in fiscal 2016. It is estimated that DBED will award the maximum amount of credits each year, and that the additional credit amounts in fiscal 2014 will be awarded and claimed in calendar 2013.

## **Additional Information**

**Prior Introductions:** SB 1066 of 2012 proposed to increase funding for the credit to \$22.5 million annually and extend the program through fiscal 2016. The bill passed the Senate and received a hearing in the House Ways and Means Committee, but no further action was taken.

**Cross File:** None.

**Information Source(s):** Department of Business and Economic Development, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 11, 2013  
ncs/jrb

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES (SFY 2013)

**TITLE OF BILL:** *Maryland Film Production Employment Act of 2011 - Extension and Revisions*

**BILL NUMBER:** N.A.

**PREPARED BY:** Nancy McCrea (Department of Business and Economic Development, Economic, Office of Marketing and Communications)

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

XX WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

\_\_\_ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

The Maryland Film Production Employment Act of 2011 created a tax credit for qualified film production entities equal to 25% of qualified film production costs incurred in the State. For a television series, the value of the credit is increased to 27%. This proposal extends the Act to 2016 and requests an annual allocation of \$22.5M in tax credits per year for Fiscal Year 2014 and \$6M in tax credits for Fiscal Year 2015.

The legislative proposal would not exert a significant impact upon a significant share of Maryland-based small business. It would not impose a burden or confer a benefit upon most Maryland-based small business. **However, the majority of vendors used by a typical film production company are small businesses such as hardware and paint companies, antique dealers and furniture stores, security companies, dry cleaners, art supply companies, grip and electric companies, caterers, florists, etc.** Under the former Maryland Film Production Rebate Program, the 17 productions that received a rebate purchased or rented goods or services from over 4,862 Maryland businesses. This legislation would enable additional production activity and create additional sales for small business in Maryland.