

Department of Legislative Services  
 Maryland General Assembly  
 2022 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 432 (Delegate Wells)  
 Ways and Means

Income Tax - Film Production Activity Tax Credit - Alterations

This bill expands the existing film production activity tax credit by increasing the annual amount of credits the Department of Commerce may award to (1) \$25.0 million in fiscal 2023 and (2) \$50.0 million beginning in fiscal 2024. **The bill takes effect July 1, 2022, and applies to tax year 2022 and beyond.**

Fiscal Summary

**State Effect:** General fund revenues decrease by \$13.0 million in FY 2023 and by \$38.0 million annually beginning in FY 2024 due to additional credits claimed against the income tax. Expenditures are not affected.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$13.0)	(\$38.0)	(\$38.0)	(\$38.0)	(\$38.0)
Expenditure	0	0	0	0	0
Net Effect	(\$13.0)	(\$38.0)	(\$38.0)	(\$38.0)	(\$38.0)

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

**Local Effect:** Local highway user revenues decrease to the extent credits are claimed against the corporate income tax. Local expenditures are not affected.

**Small Business Effect:** Minimal.

Analysis

**Current Law:** A qualified film production entity that meets specified requirements and is approved by Commerce may receive a refundable 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%. The Secretary of Commerce may not award in the aggregate more than \$10 million for a single film production activity. This limitation applies to each season of a television series.

In order to qualify for the tax credit, the estimated total direct costs incurred in the State must exceed \$250,000. A qualified small or independent film entity with estimated total direct costs of at least \$25,000 may receive a refundable income tax credit of up to 25%, with a maximum tax credit amount per project of \$125,000. Commerce must award 10% of all tax credits in each fiscal year to qualified small or independent film entities.

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. Total direct costs do not include any salary, wages, or other compensation for writers, directors, or producers.

The film production entity must notify Commerce 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 feature film, television project, commercial, corporate film, or music video.

The Secretary of Commerce may award in each fiscal year a maximum of \$12 million in tax credits.

**State Revenues:** The bill authorizes Commerce to award a maximum of \$25.0 million in tax credits in fiscal 2023 and \$50.0 million annually beginning in fiscal 2024. As a result, general fund revenues will decrease by \$13.0 million in fiscal 2023 and \$38.0 million annually beginning in fiscal 2024.

This estimate assumes that Commerce awards the maximum authorized amount of credits in each fiscal year and tax credits are claimed against the personal income tax. To the extent tax credits are claimed against the corporate income tax, a portion of tax credits claimed will decrease Transportation Trust Fund and Higher Education Investment Fund revenues.

## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Department of Commerce; Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 2, 2022  
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