

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-SIXTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: January 29, 2018

BILL NUMBER: SB 1240 **STATUS AND DATE OF BILL:** Introduced 1/18/2018

AUTHORS: House n/a Senate Dahm

TAX TYPE (S): Income Tax **SUBJECT:** Rebate

PROPOSAL: Amendatory

SB 1240, which proposes to amend 68 O.S. § 3626 (*Compete with Canada Film Act*), provides that no applications shall be accepted by the Office of Oklahoma Film and Music Commission after December 31, 2018. If a conditional prequalification letter is issued by the Film Office prior to December 31, 2018, the rebate will be allowed until payment of the last approved claim.

EFFECTIVE DATE: November 1, 2018

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 19: Projected increase in income tax collections of \$2 million

FY 20: Projected increase in income tax collections of \$4 million

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 19: No additional cost or savings to the Tax Commission are anticipated due to this legislation.

Jan. 31, 2018
DATE

2-1-18
DATE

2.5.18
DATE

Rick Miller
DIVISION DIRECTOR

Reece Womack
REECE WOMACK, ECONOMIST

Jonny M. H.
FOR THE COMMISSION

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Attachment to Fiscal Impact - SB 1240 [Introduced] Prepared January 29, 2018

Under current law, applications for the film rebate are submitted to the Office of Oklahoma Film and Music Commission at least sixty (60) calendar days but no more than one hundred eighty (180) calendar days prior to the start of pre-production. Production will receive a written notice of either conditional prequalification or disapproval of Rebate Eligibility Application. Provided the Applicant meets all the requirements and benchmarks in the application process, the Office of Oklahoma Film and Music Commission is authorized to approve claims for rebates based on documented expenditures that are directly attributable to the production of a film, television production or television series in Oklahoma. The rebate is generally capped at seventeen percent (17%) of eligible expenditures, although this percentage can increase to nineteen percent (19%) for certain music productions. Further, the maximum amount of rebates eligible to be paid in any one fiscal year is Four Million Dollars (\$4,000,000)¹.

This measure provides that no applications shall be accepted by the Office of Oklahoma Film and Music Commission after December 31, 2018. If a conditional prequalification letter is issued by the Film Office prior to December 31, 2018, the rebate will be allowed with respect to such production until payment of the last approved claim.

Records from the Oklahoma Film and Music Office² show \$7.8 million in film rebates have been paid since July 1, 2013 and prequalification letters have been issued for the following amounts:

	Conditionally Prequalified	Paid	Funds Remaining
FY 14	\$750,000	\$4.25 million	\$0
FY 15	\$4 million	\$1 million	\$0
FY 16	\$3.8 million	\$1.2 million	\$0
FY 17	\$3.7 million	\$1.3 million	\$0
FY 18	\$3.1 million	\$0	\$900,000

Although it is unknown how many films will submit applications and receive conditional prequalification letters prior to December 31, 2018, it is likely the \$900,000 balance in FY18 and half of the FY19 film rebate appropriations (\$2 million) will be committed to future film projects by December 31, 2018. The revenue impact of this measure is a potential \$2 million increase in income tax collections for FY19, and \$4 million for FY20.

¹ HB 2344 (2017) decreased the maximum annual FY rebate from \$5 million to \$4 million effective for FY18. The Oklahoma Tax Commission apportions \$4 million of individual income tax collections which would otherwise accrue to the General Revenue Fund to the Oklahoma Film Enhancement Rebate Program Revolving Fund each fiscal year.

² Oklahoma Film and Music Office, Oklahoma Film Enhancement Rebate Applications, First Quarter FY18 Report dated November 1, 2017.