

OKLAHOMA TAX COMMISSION

REVENUE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: January 8, 2019

BILL NUMBER: SB 133 STATUS AND DATE OF BILL: Introduced 1/4/19

AUTHORS: House n/a Senate Newhouse

TAX TYPE (S): Income Tax SUBJECT: Other

PROPOSAL: Amendatory

SB 133 proposes to amend the *Compete with Canada Film Act* (68 O.S. § 3621 et. seq.), by moving up the termination date from July 1, 2024 to July 1, 2020, and providing that \$4 million of individual income tax collections will no longer be apportioned to the Oklahoma Film Enhancement Rebate Program Revolving Fund beginning with FY21.

EFFECTIVE DATE: July 1, 2020

REVENUE IMPACT:

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

FY 20: -0-

FY 21: No change to income tax collections. See attached for changes to the General Revenue Fund and the Oklahoma Film Enhancement Rebate Program Revolving Fund

Jan. 31, 2019
DATE

Rick Miller
DIVISION DIRECTOR

lrh

1-31-2019
DATE

Huan Gong
HUAN GONG, ECONOMIST

2-1-19
DATE

[Signature]
FOR THE COMMISSION

The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

ATTACHMENT TO REVENUE IMPACT - SB 133 [Introduced] Prepared January 8, 2019

SB 133 proposes to amend the *Compete with Canada Film Act* (68 O.S. § 3621 et. seq.), by moving up the termination date from July 1, 2024 to July 1, 2020, and providing that \$4 million of individual income tax collections will no longer be apportioned to the Oklahoma Film Enhancement Rebate Program Revolving Fund beginning with FY21.

The Office of Oklahoma Film and Music Commission (Office) 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 thirty-five percent (35%) of eligible expenditures and the maximum amount of rebates eligible to be paid in any one fiscal year is \$4 million¹. Applications for the film rebate are submitted to the Office prior to the start of pre-production. If approved, production will receive a written notice of conditional prequalification.

Office of Oklahoma Film and Music Commission records show \$28 million in rebate applications have been preapproved for FY14 through FY19; however, only \$11 million in rebates have been paid. Rebate payments are made after the production company meets all obligations and benchmarks as set forth by the Office and completes all the statutory requirements in 68 O.S. § 3624. The entire process, from the time the conditional prequalification is issued until the rebate is paid can be as short as a few months or as long as several years.²

Under current law, \$4 million of individual income tax collections that would otherwise accrue to the General Revenue Fund are apportioned to the Oklahoma Film Enhancement Rebate Program Revolving Fund each fiscal year.³ Tax Commission records show a balance of \$12.5 million in the Oklahoma Film Enhancement Rebate Revolving Fund. The balance in the fund could be as high as \$20.5 million on June 30, 2020.⁴

It is unclear whether rebate claims can be paid after the termination date of the *Compete with Canada Film Act* (68 O.S. § 3626) or whether approved claims not yet paid in whole or in part by June 30, 2020 may be paid in the following fiscal year [68 O.S. § 3624 (F)].

Assuming approved rebate claims may be paid after June 30, 2020, to the extent funds are available in the Oklahoma Film Enhancement Rebate Revolving Fund, \$4 million will be apportioned to the General Revenue Fund and not the Oklahoma Film Enhancement Rebate Program Revolving Fund beginning FY21.

¹ HB 2344 (2017) decreased the maximum annual FY rebate from \$5 million to \$4 million effective for FY18.

² Office of Oklahoma Film and Music Commission records show three (3) productions which were granted conditional prequalification letters in FY14 are currently in post-production and have not yet been paid the rebate.

³ 68 O.S. §3625

⁴ This includes the \$12.5 million in the Oklahoma Film Enhancement Rebate Revolving Fund and the \$4 million each for FY19 and FY20.