



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 20-1087	Date: May 26, 2020
Prime Sponsors: Rep. Herod; Esgar Sen. Todd	Bill Status: House Business Affairs
	Fiscal Analyst: Louis Pino 303-866-3556 louis.pino@state.co.us

Bill Topic: **FILM PRODUCTION INCOME TAX CREDIT**

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill creates a transferable state income tax credit for film, television, and media production companies. It decreases state revenue and increases workload beginning in FY 2020-21.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced version of the bill.

Table 1
State Fiscal Impacts Under HB 20-1354

		FY 2020-21	FY 2021-22	FY 2022-23
Revenue	General Fund	(\$2.5 million)	(\$5 million)	(\$5 million)
Expenditures		-	-	-
Transfers		-	-	-
TABOR Refund		-	-	-

Summary of Legislation

This bill creates a state income tax credit for film, television, and media production companies employing a workforce of at least 50 percent Colorado residents for production activities in the state. The credit is available for tax years 2021 through 2025 and must be authorized and issued by the Colorado Office of Film, Television, and Media within the Office of Economic Development and International Trade (OEDIT). The state income tax credit is transferable, and the bill caps the total amount of credits that can be issued to \$5 million per tax year.

The amount of the income tax credit is 22 percent of qualified expenditures if the production activities occur in a county or municipality with a population of 150,000 or less, or 18 percent of qualified costs if the project occurs in an area with a population greater than 150,000.

The Colorado Office of Film, Television, and Media is responsible for the administration of the application process and determining the eligibility for the production company. In addition, the Office of Film, Television, and Media is required to establish a system to track and verify the issuance, transfer and ownership of the income tax credits.

State Revenue

The bill will decrease General Fund revenue by an estimated \$2.5 million in FY 2020-21, \$5.0 million in FY 2021-22, \$5.0 million in FY 2022-23, \$5.0 million in FY 2023-24, \$5.0 million in FY 2024-25, and \$2.5 million in FY 2025-26. The estimates for FY 2020-21 and FY 2025-26 represent half-year impacts. This fiscal note assumes that the Colorado Office of Film, Television, and Media will issue the full \$5.0 million in credits in each tax year the credit is available.

It is important to note that transferability of tax credits creates uncertainty about when the credit will be claimed because the purchasing entity may utilize a different fiscal year than when the entity was awarded the credit. If the business chooses to transfer its tax credits, then the income tax credits are freely transferable subject to the preapproved amount. The transferee may use all or a portion of transferred income tax credits to offset any tax liability or they may transfer any unused portion to a secondary transferee.

State Expenditures

The OEDIT will have increased workload to precertify credits and oversee the program, but this work can be accomplished within existing appropriations. The number of potential applicants is expected to be relatively small, and the OEDIT has experience and tracking software with transferable income tax credits.

TABOR refunds. Under the May 2020 LCS Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Information Technology
Personnel

Office of Economic Development and International Trade
Revenue