



OHIO LEGISLATIVE SERVICE COMMISSION

Russ Keller

Fiscal Note & Local Impact Statement

Bill: H.B. 525 of the 132nd G.A.

Status: As Reported by House Government Accountability and Oversight

Sponsor: Rep. Schuring

Local Impact Statement Procedure Required: Yes

Subject: To expand eligibility for the motion picture production tax credit

State & Local Fiscal Highlights

- Beginning with credits awarded for FY 2018, the bill expands eligibility for the existing motion picture production tax credit to include a "Broadway theatrical production." Credits may be claimed against the commercial activity tax, the financial institutions tax, or personal income tax.
- Continuing law allows for no more than \$40 million of tax credit per fiscal year, and H.B. 525 increases the likelihood that the annual limitation is reached in future years.

Detailed Fiscal Analysis

H.B. 525 modifies the law governing the motion picture production tax credit. Continuing law allows a refundable credit for companies that produce at least part of a motion picture in Ohio and incur at least \$300,000 in Ohio-sourced expenditures. The credit equals 30% of the company's Ohio-sourced expenditures for goods, services, and payroll. The credit is transferrable and may be claimed against the commercial activity tax (CAT), the financial institutions tax (FIT), or personal income tax (PIT). A company seeking the credit must first apply to the Development Services Agency (DSA) Director for certification of the project as a "tax credit-eligible production." Then, upon completion of the production, the company must hire an independent certified public accountant to compile a report of the company's Ohio-sourced expenditures and apply to the Director for a tax credit certificate based on that amount.

The bill extends eligibility for the motion picture tax credit to certain "Broadway theatrical productions" that are rehearsed or performed at a "qualified production facility" – which is defined by the bill as an Ohio facility that is used in the development or presentation to the public of theater productions. The bill makes post-production and

promotional activities of a motion picture or Broadway theatrical production eligible for the tax credit, which is currently limited to production expenditures.¹

H.B. 525 adds an economic impact criterion to the existing evaluation process for the DSA Director to consider when awarding tax credits to applicants. Additionally, the bill requires applicants to estimate how much state and local tax revenue will be generated in Ohio by the production, and include the information in their applications. H.B. 525 further modifies this application process by creating a biannual award deadline. The first round of applications would be approved no later than July 31 of a given fiscal year, and the second round would be approved no later January 31. For each round, the Director must rank the applications "on the basis of the extent of positive economic impact each tax credit-eligible production is likely to have in this state and the effect on developing a permanent workforce in motion picture or theatrical production industries in the state." Similar to current law, priority must be given to television series and miniseries "due to the long-term commitment typically associated with such productions." The Director would then award tax credit certificates to productions in order of their ranking, starting with the productions that had the "greatest positive economic impact and workforce development effect." If the amount of credits approved in the first application cycle equals the annual credit cap, there would be no second cycle for that fiscal year.

Fiscal effect

Continuing law allows for no more than \$40 million of tax credit per fiscal year,² and H.B. 525 increases the likelihood that the annual limitation is reached in future years. Credits may be claimed against the commercial activity tax, the financial institutions tax, or personal income tax.

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¹ The bill also adds "post-production, and advertising and promotion" expenditures to the Ohio-sourced expenditures that a company must hire an accountant to review.

² Under continuing law, if the amount of credits awarded in any fiscal year is less than the annual credit cap, the difference may be carried forward and added to the cap in the following year.