

Bill Summary
1st Session of the 57th Legislature

Bill No.:	SB 200
Version:	CS1
Request No.:	1903
Author:	Sen. Thompson
Date:	02/18/2019

Proposed Committee Substitute (PCS)

SB 200 expands the purpose of the Oklahoma Quick Action Closing Fund to include payments of rebates to a high impact production. A high impact production, as defined by the measure, is a production with costs equal to or greater than \$50 million and with at least 1/3 of the total costs deemed Oklahoma expenditures by the Office of the Oklahoma Film and Music Commission. The measure provides an exception for rebates to high impact productions from the requirement of a Department of Commerce study on the business's impact on the state.

The CS for SB 200 modifies the measure by lowering the authorized amount of total authorized payments made under the Compete with Canada Film Act from \$10 million in the introduced measure to \$8 million in the CS. The CS also extends the sunset date of the Act to July 1, 2027.

Prepared by: Kalen Taylor

Fiscal Analysis

FY'20 Impact: \$4 million in increased rebate costs

Full Year Impact: \$4 million in increased rebate costs

SB 200 expands the annual limit for film production rebates through the Oklahoma Film Enhancement Rebate Program to \$8 million. The language also allows for "high impact productions" to be exempt from the rebate limit and allow for the rebates to be paid from the Oklahoma Quick Action Closing Fund. It is anticipated that these changes would increase rebate expenditures in the future, but the amount is unknown.

Prepared by: Oklahoma Tax Commission

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: March 13, 2019

BILL NUMBER: SB 200 STATUS AND DATE OF BILL: Engrossed Bill 3/12/19

AUTHORS: House Dunnington Senate Thompson and Floyd

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

PROPOSAL: Amendatory

SB 200 proposes to amend the Quick Action Closing Fund (62 O.S. § 48.2) and the Compete with Canada Film Act (68 O.S. § 3621 et. seq.).

EFFECTIVE DATE: July 1, 2019 - Emergency

REVENUE IMPACT:

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

FY 20: No change to income tax collections. See attached for changes to the General Revenue Fund and the Oklahoma Film Enhancement Rebate Program Revolving Fund

Mar. 13, 2019
DATE

Rick Miller
DIVISION DIRECTOR

lrh

3-13-2019
DATE

Huan Gong
HUAN GONG, ECONOMIST

3-18-19
DATE

Jay Mink
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 (page 1) - SB 200 [Engrossed] Prepared 3/13/19

SB 200 proposes to amend the Quick Action Closing Fund (62 O.S. § 48.2) and the Compete with Canada Film Act (68 O.S. § 3621 et. seq.).

Current Law:

The Quick Action Closing Fund (Fund) was established in 2011. The Fund provides resources for the Governor to make expenditures to attract high-impact businesses when they are likely to be the deciding factor in a business's location decision. These expenditures typically support infrastructure or capital improvements necessary for relocation of a company, but they can be used for a variety of business needs.

The Oklahoma Film Enhancement Rebate Program (Compete with Canada Film Act), established in 2001, offers a cash rebate of 35-37% on qualifying Oklahoma expenditures to film and television productions filming in the state. The maximum amount of rebates eligible to be paid in any one fiscal year is \$4 million through 2024. There is no per-project cap, but each production must have a minimum budget of \$50,000 and spend \$25,000 in qualified Oklahoma spend. Rebate funds are pre-qualified for eligible applicants by the Office of Oklahoma Film and Music Commission on a first-come, first-served basis. Office of Oklahoma Film and Music Commission records show \$28 million in rebate applications have been preapproved for FY14 through FY19.

Under current law, the Oklahoma Tax Commission apportions from the revenues which would otherwise be apportioned to the General Revenue Fund, an amount that the Commission estimates to be necessary to pay the film rebates.¹ The maximum amount of rebates eligible to be paid in any one fiscal year is \$4 million. Tax Commission records show a balance of \$12.5 million in the Oklahoma Film Enhancement Rebate Revolving Fund.

Proposed Law:

Senate Bill 200 proposes to:

- Allow monies in the Quick Action Closing Fund to be used for payments of rebates to a "high impact production"² pursuant to the Oklahoma Film Enhancement Rebate Program.
- Increase the maximum amount of rebates eligible to be paid in any one fiscal year from \$4 million to \$8 million, effective July 1, 2019.
- Provide that special appropriations may be made to the Oklahoma Film Enhancement Rebate Program Revolving Fund, in excess of the \$8 million annual appropriation, for rebate claims for high impact productions.
- Remove subsection 48.2(L) of Title 62 which provides that the Fund no longer has the force and effect of law six years after the "first fiscal year for which any funds are deposited to, appropriated to, apportioned to or otherwise transferred to the Oklahoma Quick Action Closing Fund".
- Extend the termination date of the Compete with Canada Film Act from July 1, 2024 to July 1, 2027.

¹ 68 O.S. §3625

² "High impact production" means a production for which total expenditures or production costs are equal to or greater than \$50 million, with at least one-third (1/3) of total costs deemed Oklahoma expenditures by the Office of the Oklahoma Film and Music Commission.

Attachment to Revenue Impact (page 2) - SB 200 [Engrossed] Prepared 3/13/19

A production designated as a high impact production must be approved by the Office of Oklahoma Film and Music Commission and the Cabinet Secretary for Commerce and Tourism. The payment of a rebate claim for a high impact production is by special appropriation to the Oklahoma Film Enhancement Rebate Program Revolving Fund, if the claim is approved during a regular or special session of the Oklahoma Legislature, or by payment from the Oklahoma Quick Action Closing Fund if the claim is approved when the Legislature is not in session.

Revenue Impact:

This measure would decrease the amount apportioned to the General Revenue Fund from individual income tax collections by at least \$4 million and the amount apportioned to the Oklahoma Film Enhancement Rebate Program Revolving Fund would increase by at least \$4 million.³

³ Special appropriations may be made to the Oklahoma Film Enhancement Rebate Program Revolving Fund, in excess of the \$8 million annual appropriation, for rebate claims for high impact productions.

MEMORANDUM

OKLAHOMA TAX COMMISSION
TAX POLICY DIVISION

Date: February 15, 2019
To: Rick Miller, Director *RAM*
Tax Policy and Research Division
From: Lisa Haws
Tax Policy Analyst
Subject: Proposed Committee Substitute for Senate Bill 200 [Req. No. 1903]

The PCS for SB 200 proposes to amend the Quick Action Closing Fund (62 O.S. § 48.2) and the Compete with Canada Film Act (68 O.S. § 3621 et. seq.).

Current Law:

The Quick Action Closing Fund (Fund) was established in 2011. The Fund provides resources for the Governor to make expenditures to attract high-impact businesses when they are likely to be the deciding factor in a business's location decision. These expenditures typically support infrastructure or capital improvements necessary for relocation of a company, but they can be used for a variety of business needs.

The Oklahoma Film Enhancement Rebate Program is administered by the Office of Oklahoma Film and Music Commission (Office). The 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 million.¹ 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.

Under current law, the Oklahoma Tax Commission apportions from the revenues which would otherwise be apportioned to the General Revenue Fund, an amount that the Tax Commission estimates to be necessary to pay the film rebates.² The maximum amount of rebates eligible to be paid in any one fiscal year is \$4 million. Tax Commission records show a balance of \$12.5 million in the Oklahoma Film Enhancement Rebate Revolving Fund.

Proposed Law:

The Committee Substitute for Senate Bill 200 proposes to:

- Allow monies in the Quick Action Closing Fund to be used for payments of rebates to a "high impact production"³ pursuant to the Oklahoma Film Enhancement Rebate Program.

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

² 68 O.S. §3625

³ "High impact production" means a production for which total expenditures or production costs are equal to or greater than \$50,000,000.00, with at least one-third (1/3) of total costs deemed Oklahoma expenditures by the Office of the Oklahoma Film and Music Commission.

- Increase the maximum amount of rebates eligible to be paid in any one fiscal year from \$4 million to \$8 million, effective July 1, 2019.
- Provide that special appropriations may be made to the Oklahoma Film Enhancement Rebate Program Revolving Fund, in excess of the \$8 million annual appropriation, for rebate claims for high impact productions.
- Remove subsection 48.2(L) of Title 62 which provides that the Fund no longer has the force and effect of law six years after the "first fiscal year for which any funds are deposited to, appropriated to, apportioned to or otherwise transferred to the Oklahoma Quick Action Closing Fund".
- Extend the termination date of the Compete with Canada Film Act from July 1, 2024 to July 1, 2027.

A production designated as a high impact production must be approved by the Office of Oklahoma Film and Music Commission and the Cabinet Secretary for Commerce and Tourism. The payment of a rebate claim for a high impact production is by special appropriation to the Oklahoma Film Enhancement Rebate Program Revolving Fund, if the claim is approved during a regular or special session of the Oklahoma Legislature, or by payment from the Oklahoma Quick Action Closing Fund if the claim is approved when the Legislature is not in session.

Revenue Impact:

This measure would decrease the amount apportioned to the General Revenue Fund from individual income tax collections by at least \$4 million and the amount apportioned to the Oklahoma Film Enhancement Rebate Program Revolving Fund would increase by at least \$4 million.⁴

⁴ Special appropriations may be made to the Oklahoma Film Enhancement Rebate Program Revolving Fund, in excess of the \$8 million annual appropriation, for rebate claims for high impact productions.