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BILL ANALYSIS

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Senate Bill 1535 (as introduced 9-23-08)
Sponsor: Senator Tom George
Committee: Finance

Date Completed: 9-25-08

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to set an annual limit of $100.0 million on the total amount of credits claimed by film companies issued postproduction certificates of completion.

Under the Act, the Michigan Film Office, with the concurrence of the State Treasurer, may enter into an agreement with an eligible production company providing it with a credit against the MBT or against the income tax, as provided under the Act and in Section 367 of the Income Tax Act. To qualify for the credit, the company must spend at least $50,000 in Michigan for the development, preproduction, production, and postproduction costs of a State-certified qualified production. The company also must enter into an agreement with the Michigan Film Office; receive a postproduction certificate of completion from the Office; and submit the certificate to the Department of Treasury.

For direct production expenditures or qualified personnel expenditures, an agreement may provide for an eligible production company to claim a tax credit equal to 42% of direct production expenditures for a State-certified qualified production in a core community, 40% of direct production expenditures for a production in part of this State other than a core community, and 30% of qualified personnel expenditures.

Under the bill, the Michigan Film Office, with the concurrence of the State Treasurer, could enter into a limited number of agreements during each calendar year. For the 2008 calendar year and each subsequent calendar year, the total of all credits for all postproduction certificates of completion issued during the calendar year could not exceed $100.0 million.

MCL 208.1455

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would increase General Fund revenue by an unknown and potentially significant amount. The May 2008 Consensus Revenue Estimating Conference forecasted that certificates issued and claimed for credits during FY 2008-09 would total $118.2 million. Assuming that estimate is correct and overlooking the timing differences between calendar year certificate approvals and fiscal year tax credit claims, the bill would increase FY 2008-09 revenue by approximately $18.2 million. The most recent information indicates that projects totaling a potential of $148.8 million in credits already have been approved this year, suggesting that the bill could increase revenue by as much as $48.8 million.

Fiscal Analyst: David Zin

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