

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1592

Amendment Number: H2

Bill Subtitle: TO AMEND THE DIGITAL PRODUCT AND MOTION PICTURE INDUSTRY DEVELOPMENT ACT OF 2009.

Basic Change :

Sponsors: Reps. C. Fite and Duffield; Sen. J. Dismang

House Amendment No. 2 --- HB1592-H2 (engrossed H3/16/23) amends HB1592 to clarify that the changes to the Digital Product and Motion Picture Industry Development Act will only apply to projects with a financial incentive agreement signed after the effective date of the act.

House Amendment No. 1 --- HB1592-H1 (engrossed H3/14/23) amends HB1592 to include an incentive enhancement when qualifying production costs are paid to a person or business in a Tier 3 or 4 county as established by the Arkansas Economic Development Commission.

Original Bill --- HB1592 amends the Digital Product and Motion Picture Industry Development Act to increase the amount of the incentive and to enhance the incentive when a production hires an individual from an economically-depressed county for production or post-production.

Specifically, HB1592 provides:

- A 25% tax incentive for all qualifying expenditures (increased from 20%);
- An additional 5% incentive enhancement for hiring below-the-line employees from counties that are listed as Tier 3 or Tier 4 for economic development by the Arkansas Economic Development Commission; and
- An additional 5% incentive enhancement for all qualifying expenses if the expenses are incurred for multi-project production, including a television series or multi-film project.

Current law provides a 20% tax incentive with a 10% incentive enhancement for the payroll of full-time residents of Arkansas or veterans.

HB1592 is effective for tax years beginning on or after January 1, 2023.

Revenue Impact :

FY2024 and after - \$395,444 Revenue Reduction

[The tax credits available under the Digital Product and Motion Picture Industry Development Act are capped under existing law at \$4 million. There is sufficient room under the current \$4 million cap to award the credits as provided under HB1592 and not exceed the cap.

Rebates totaling \$1,377,553 were issued for qualified production expenses in calendar year 2022. Rebates totaling \$102,114 were issued for qualified below-the-line payroll in calendar year 2022. To date, rebates totaling \$196,658 were issued for qualified production expenses and \$20,758 were issued for qualified below-the-line payroll in calendar year 2023.]

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Taxpayer Impact :

A production company with an approved financial incentive agreement signed on or after the effective date of this bill will receive a 25% of qualified production cost incentive in connection with the production or post-production of a state-certified film project. A state-certified production or post-production will receive an additional 5% incentive for hiring below-the-line employees or paying qualified costs to a person or business in a Tier 3 and Tier 4 county and may receive an additional 5% incentive for producing a multi-project production

Resources Required :

Arkansas Integrated Revenue System (AIRS) programming cost to update the tax credit will cost an estimated \$8,000.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Department of Finance and Administration and Arkansas Economic Development Commission employees and the tax community will need to be educated on the changes to the credit.

Other Comments :

None.

Legal Analysis :

HB1592 may benefit from clarification of the following issues:

- An amendment to define "television series" and "multi-film project";
- An amendment to clarify at what date the Tier 3 or 4 rankings apply; and
- An amendment to clarify whether expenditures only qualify for the 5% enhancement if they are paid to a person or business in a Tier 3 or Tier 4 county or if they are incurred for a production in a Tier 3 or Tier 4 county.