Multiple Agency Fiscal Note Summary

Bill Number: 1914 HB	**Title:** Motion picture program

Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(16,500,000)	(16,500,000)	(16,500,000)	(33,000,000)	(33,000,000)	(33,000,000)	(33,000,000)	(33,000,000)	(33,000,000)
Total $	**(16,500,000)**	**(16,500,000)**	**(16,500,000)**	**(33,000,000)**	**(33,000,000)**	**(33,000,000)**	**(33,000,000)**	**(33,000,000)**	**(33,000,000)**

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.1	14,400	14,400	14,400	.1	18,200	18,200	18,200	.1	18,200	18,200	18,200
Total $	**0.1**	**14,400**	**14,400**	**14,400**	**0.1**	**18,200**	**18,200**	**18,200**	**0.1**	**18,200**	**18,200**	**18,200**

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 1/21/2022

Individual State Agency Fiscal Note

Bill Number: 1914 HB	Title: Motion picture program	Agency: 014-Joint Legislative Audit and Review Committee

Part I: Estimates

[X] **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[ ] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

[ ] Capital budget impact, complete Part IV.

[ ] Requires new rule making, complete Part V.

Legislative Contact:	Cassie Jones	Phone: 360-786-7303	Date: 01/18/2022
Agency Preparation:	Dana Lynn	Phone: 360-786-5177	Date: 01/19/2022
Agency Approval:	Keenan Konopaski	Phone: 360-786-5187	Date: 01/19/2022
OFM Review:	Gaius Horton	Phone: (360) 819-3112	Date: 01/19/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill creates amends current statute to make several changes to the motion picture competitiveness program and the B&O tax credit associated with it.

Section 1 amends RCW 43.365.005 regarding legislative intent, adding the Legislature finds more investment in the film industry will increase revenue and create family-wage jobs with benefits. With more investment in the film industry, the state would attract bigger budget productions which would drive creation of more film support businesses and increase the labor force as the state builds capacity.

Section 2 amends RCW 43.365.030 to change the composition and term limits for the WA motion picture competitiveness program board of directors.

Section 3 amends RCW 43.365.020 to add that money received for the program will be used to support growth and development through career connected learning, workforce development, and business development with a focus on better supporting people in marginalized or rural communities.

Section 4 amends the B&O tax credit established in RCW 82.04.4489 to :

- Increase the maximum per-person B&O tax credit amount from $750,000 to $1 million per calendar year, or an amount equal to 100% of the contributions made.
- Increase the total amount of credits available per calendar year from $3.5 million to $20 million.
- Allow persons making contributions to the program and not otherwise receiving funding under RCW 43.365.020 to be exempt from filing the annual reporting requirements under RCW 82.32.534 and 43.365.040.

Section 5 amends RCW 43.365.040 to note JLARC will perform a review of the tax preference and program as required under RCW 43.365.050 and that the motion picture competitiveness program must periodically audit and generally monitor the survey information collected from production companies for completeness and accuracy.

Section 6 amends RCW 43.365.050 to add a specific public policy objective to increase the viability of the motion picture and film industry and associated creative industry in the state. The Legislature's intent is to increase the B&O tax credit in order to attract more motion picture and film projects, thereby increasing family wage jobs.

JLARC is instructed to make a recommendation to the fiscal committees of the Legislature by December 1, 2026, regarding the effectiveness of the program including, but not limited to:

- The amount of state revenue generated.
- The amount and number of family-wage jobs with benefits created.
- Adherence to criteria in RCW 43.365.020.
- Changes in Washington's share of the film employment market.
- Any other factors deemed appropriate.

JLARC is to refer to tax data collected by the Department of Revenue and the annual survey data required under RCW 43.365.040.

Section 7 repeals 2017 3rd sp. S. c 37 s 1101 (uncodified).

The bill does not provide an effective date. The date after which credit can no longer be earned remains July 1, 2027.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency , identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources . Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing functions .

The bill modifies the existing motion picture competitiveness program and B&O tax credit tax. JLARC is already scheduled to review that preference in 2025. Therefore, this bill creates no additional expenditures on top of those currently anticipated.

This audit will require an estimated 0 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2021-23 costs are calculated at approximately $21,000 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Research Analyst	119,519					
Support staff	81,590					
Total FTEs						0.0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1914 HB	Title: Motion picture program	Agency: 103-Department of Commerce

Part I: Estimates

[X] **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[ ] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

[ ] Capital budget impact, complete Part IV.

[ ] Requires new rule making, complete Part V.

Legislative Contact:	Cassie Jones	Phone: 360-786-7303	Date: 01/18/2022
Agency Preparation:	Karen McArthur	Phone: 360-725-4027	Date: 01/19/2022
Agency Approval:	Joyce Miller	Phone: 360-725-2710	Date: 01/19/2022
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 01/21/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2 amends RCW 43.365.030 adding additional members to the motion picture competitiveness program board and increases a quorum from five to seven.

Section 3 amends RCW 43.365.020 adding in (3)(c) supporting the growth and development of the state's film industry in rural communities.

Section 4 amends RCW 82.04.4489 increasing the maximum credit claim limit from $750,000 to $1,000,000 during a calendar year.
Section 4(6) increases the total credit claimed from $3,500,000 to $20,000,000.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

There is no impact to the department. The activities stated in HB 1914 are already part of the normal operating procedures within the Office of Economic Development and Competitiveness within the department.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Department of Revenue Fiscal Note

Bill Number: 1914 HB	Title: Motion picture program	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
GF-STATE-State 01 - Taxes 06 - Tax Credits - B & O		(16,500,000)	(16,500,000)	(33,000,000)	(33,000,000)
Total $		(16,500,000)	(16,500,000)	(33,000,000)	(33,000,000)

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.1	0.1	0.1	0.1
Account					
GF-STATE-State 001-1		14,400	14,400	18,200	18,200
Total $		14,400	14,400	18,200	18,200

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☒ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Cassie Jones	Phone: 360-786-7303	Date: 01/18/2022
Agency Preparation:	Van Huynh	Phone: 360-534-1512	Date: 01/21/2022
Agency Approval:	Valerie Torres	Phone: 360-534-1521	Date: 01/21/2022
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 01/21/2022

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

CURRENT LAW:

Under the motion picture competitiveness program, a business and occupation (B&O) tax credit is available to those who make contributions to a Washington motion picture competitiveness program.

The amount of credit claimed for a reporting period may not exceed the B&O tax otherwise due for that reporting period. No person may claim more than $750,000 of credit in any calendar year, including credit carried over from a previous calendar year.

The maximum credit that may be earned for each calendar year for a person is limited to the lesser of $750,000 or an amount equal to 100% of the contributions made by the person during the calendar year.

Tax credit earned but not claimed by the person in any calendar year may be carried over and claimed against the person's tax liability for the next three succeeding calendar years.

The Department of Revenue (Department) must not allow any credits that would cause the total amount of credits claimed during any calendar year to exceed $3.5 million (annual statewide cap).

No credit may be earned for contributions made on or after July 1, 2027.

PROPOSAL:

The bill amends RCW 82.04.4489 as follow:

- Increases the maximum amount of credit that can be claimed by a person in a calendar year from $750,000 to $1 million.

- Increases the maximum credit that may be earned in each calendar year for a person from $750,000 to $1 million.

- Increases the annual statewide credit cap from $3.5 million to $20 million.

The bill also states that those claiming the credit and not otherwise receiving funding assistance under an approved motion picture competitiveness program are exempt from the annual reporting requirements in RCW 82.32.534 and 43.365.040.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS
- The proposed statewide credit cap of $20 million will be reached annually. This assumption is based on, among other factors, the amount of credit claimed historically, and the types of business that claimed the credit.
- It is assumed that the bill will be effective June 7, 2022.

DATA SOURCES
Department of Revenue excise tax returns

REVENUE ESTIMATES
Adopting this bill will result in state revenue loss of $16.5 million in Fiscal Year 2023 and $33.0 million in the 2023-25 Biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2022 - $
FY 2023 - ($16,500)
FY 2024 - ($16,500)
FY 2025 - ($16,500)
FY 2026 - ($16,500)
FY 2027 - ($16,500)

Local Government, if applicable (cash basis, $000): Not applicable.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived . Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing

ASSUMPTIONS:
This bill affects 20 taxpayers.

FIRST YEAR COSTS:
The Department will not incur costs in Fiscal Year 2022.

SECOND YEAR COSTS:
The Department will incur total costs of $14,400 in Fiscal Year 2023. These costs include :

Labor Costs - Time and effort equates to 0.1 FTEs.
- Assist additional taxpayers claiming the credit, answer questions, issue refunds and assessments.
- Set up, program and test computer system changes.

Object Costs - $4,400.
- Computer system changes, including contract programming.

ONGOING COSTS:
Ongoing costs for the 2023-2025 Biennium equal $18,200 and include similar activities described in the second year costs. Time and effort equates to .01 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.1	0.1	0.1	0.1
A-Salaries and Wages		6,000	6,000	12,000	12,000
B-Employee Benefits		2,100	2,100	4,200	4,200
C-Professional Service Contracts		4,400	4,400		
E-Goods and Other Services		1,200	1,200	1,800	1,800
J-Capital Outlays		700	700	200	200
Total $		$14,400	$14,400	$18,200	$18,200

III. B - Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
EXCISE TAX EX 3	59,688		0.1	0.1	0.1	0.1
Total FTEs			0.1	0.1	0.1	0.1

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe potential financing methods

NONE

None.

Part V: New Rule Making Required