STATE OF CALIFORNIA
Franchise Tax Board

Analysis of Amended Bill

Author: Calderon	Sponsor:	Bill Number: AB 913
Analyst: Jahna Carlson	Phone: (916) 845-5683	Amended: September 6, 2019
Attorney: Shane Hofeling	Related Bills: See Legislative History	

Subject

California Motion Picture Credit

Summary

This bill would, under the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL) extend the carryover period for New Motion Picture Credits allocated on or after July 1, 2016, and before July 1, 2020, from six to nine years.

Recommendation – No position.

Summary of Amendments

The September 6, 2019, amendments removed provisions of the bill related to the Corporation Code and replaced them with the provisions discussed in this analysis.

This is the department's first analysis of the bill.

Reason for the Bill

The reason for the bill is to extend the carryover period for the New Motion Picture Credit.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and operative for taxable years beginning on or after January 1 of the year of enactment.

Federal Law

Federal law lacks a motion picture credit.

State Law

Current state law, Revenue & Taxation Code (R&TC) sections 17053.95 and 23695, allows a New Motion Picture Credit that is administered by the California Film Commission (Commission). The credit is calculated by multiplying the qualified expenditures for a production of a motion picture in California, as certified by the Commission, by an applicable credit percentage.

A qualified taxpayer, in lieu of claiming the New Motion Picture Credit on the income tax return, may make an irrevocable election to apply the credit amount against their qualified sales and use tax liability.

The aggregate amount of New Motion Picture credits that may be allocated by the Commission for a fiscal year is:

- $230 million for the 2015-2016 fiscal year; and
- $330 million for the 2016-2017 fiscal year and each fiscal year thereafter, through and including the 2019-2020 fiscal year; plus any amount, as specified.

The Commission's authority to allocate the New Motion Picture Credit under R&TC sections 17053.95 and 23695 expires June 30, 2020.

Under current law, unused New Motion Picture Credits may be carried over for up to six years.

This Bill

This bill would, under the PITL and CTL, extend the carryover period of the New Motion Picture Credit from six to nine years.

Implementation Considerations

The department has identified the following implementation concern. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

Because this tax levy bill lacks a specified operative date, the nine year carryover period would arguably be unavailable for credits generated prior to January 1 of the year the bill is enacted. If the author wishes the extended carryover period to apply to credits generated prior to this date, this bill should be amended.

Legislative History

AB 1839 (Gatto, Bocanegra, et al., Chapter 413, Statutes of 2014) added the New Motion Picture Credit for the production of a qualified motion picture for taxable years beginning on or after January 1, 2016, for credit allocations made by the Commission on or after July 1, 2016, and before July 1, 2020.

Fiscal Impact

This bill would not significantly impact the department's costs.

Economic Impact

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 913 as Amended September 6, 2019
Assumed Enactment by September 30, 2020

($ in Millions)

Fiscal Year	Revenue
2020-2021	N/A
2021-2022	N/A
2022-2023	-$1.3

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Revenue Discussion

This bill would extend the carryover period for the New Motion Picture Credit from six years to nine years, if necessary, until the credit has been exhausted. It is assumed that usage of the credit would increase beginning in the seventh carryover year and would peak at $45 million in tax year 2027. It is further assumed that 99 percent of the credit would be used by corporations and the remaining one percent would be used by personal income taxpayers.

The tax year estimates are converted to fiscal year estimates, and then rounded to arrive at the amounts reflected in the above table.

Legislative Staff Contact

Jahna Carlson	Tiffany Christiansen	Annette Kunze
Legislative Analyst, FTB	Revenue Manager, FTB	Legislative Director, FTB
(916) 845-5683	(916) 845-5346	(916) 845-6333
jahna.carlson@ftb.ca.gov	tiffany.christiansen@ftb.ca.gov	annette.kunze@ftb.ca.gov