



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5842 (Substitute H-1 as passed by the House)
Sponsor: Representative Coleman Young
House Committee: Commerce
Senate Committee: Commerce and Tourism

(as enacted)

Date Completed: 3-17-08

CONTENT

The bill would amend the General Sales Tax Act to limit current sales tax credits for production expenditures by a motion picture production company to agreements entered into before February 29, 2008.

The Act allows the Michigan Film Office in the Department of History, Arts, and Libraries (HAL), with the concurrence of the State Treasurer, to enter into certain agreements with a motion picture production company providing a credit against the tax imposed by the Act. An agreement may provide for a motion picture production company to claim a credit for a percentage of production spending, as shown in Table 1.

Table 1

Production Spending Incurred	Credit as % of Production Spending
\$200,000 - \$1,000,000	Up to 12%
\$1,000,000.01 - \$5,000,000	Up to 16%
\$5,000,000.01 - \$10,000,000	Up to 20%

If a company incurs more than \$10,000,000 in production spending, the agreement may provide tax credits based only on the first \$10,000,000.

Currently, those agreements may be entered into for tax years that begin after December 31, 2006, through December 31, 2010. Under the bill, the agreements could be entered into for tax years that begin after December 31, 2006, through February 29, 2008.

The bill would delete various references to HAL and the HAL Director and instead refer to the Michigan Film Office and the Michigan Film Commissioner.

The Act requires HAL to submit to the Governor, the chairperson of the Senate Finance Committee, and the House Tax Policy Committee, by March 1 of each year, a report on the effectiveness of the credit. The bill would delete the following from the information that must be included in the report:

- A brief review of the practices and experiences of other states and provinces with similar incentive programs.
- Any other information that HAL considers important to include in the report.

Under the bill, the Michigan Film Office would have to submit the annual report.

The Act defines "Michigan film office" or "office" as the Michigan Film Office housed within HAL. Under the bill, the definition would refer to the Michigan Film Office housed within HAL before May 4, 2008, and housed within the Michigan Strategic Fund after May 3, 2008.

Effective December 31, 2009, the bill would repeal Section 4cc of the General Sales Tax Act (the section that the bill would amend).

MCL 205.54cc

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would negligibly increase State sales tax revenue. Affected taxpayers would no longer be able to claim the credit for tax years beginning after February 29, 2008. Credits under the Act are limited to a total of \$7 million per year. Few taxpayers claiming the credit have had sales tax liability and so the refundable aspect of the credit has been controlling. A few companies have received or will receive credits, but total value of the credits has been only slightly more than \$250,000 to date. The impact on sales tax revenue would only affect the General Fund.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.