

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0171**

HOUSE BILL NUMBER **519**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to qualifying payroll expenditures.**

SPONSOR **Representative D. St. Onge**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			Indeterminable	
EXPENDITURES				
NET EFFECT			Indeterminable	

() indicates a decrease/negative

MEASURE’S PURPOSE: The proposal would limit the deduction of payroll expenditures for those taxpayers granted a refundable film industry tax incentive.

PROVISIONS/MECHANICS: The bill would not allow a deduction for income tax purposes related to the qualifying payroll expenditures on which the film industry refundable credit has been granted. Currently, the taxpayer deducts the full amount of payroll expenditures within the computation of net income. The taxpayer also is allowed a refundable credit, a portion of which is based on those same expenditures deducted as a business expense.

FISCAL EXPLANATION: In fiscal year 2017, the Department of Revenue processed returns which claimed more than \$8 million in film industry tax credits. This total tax credit amount is based on either 30 percent or 35 percent of the qualifying payroll expenditures based on the type of crew and the location of the filming. Other qualifying expenditures directly used in or for a motion picture or entertainment production also qualify for the tax credit, such as scripts and synopsis, set construction and operations, wardrobe, accessories, lease or rental of real property,

photography, sound, lighting, editing, rental of facilities and equipment, vehicle leases, food, and accommodations. Either 30 percent or 35 percent of these expenses are allowed for the tax credit based on the location of the filming.

Since this proposal only limits the deduction for payroll expenditures, which is only a portion of the total tax credit, the fiscal impact of this proposal cannot be determined from the information available to the Legislative Research Commission.

DATA SOURCE(S): LRC staff

PREPARER: Jennifer Hays NOTE NUMBER: 137 REVIEW: JAB DATE: 3/16/2018