

# DEPARTMENT OF TAXATION

## 2025 Fiscal Impact Statement

1. **Patron** Ghazala F. Hashmi

3. **Committee** Senate Finance and Appropriations

4. **Title** Income Tax: Content Manufacturing Tax Credit

2. **Bill Number** SB 1179

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would rename the Motion Picture Production Tax Credit as the Content Manufacturing Tax Credit and would make the following changes to the tax credit:

- Increase the annual aggregate credit cap by \$5 million from \$6.5 million to \$11.5 million for Fiscal Year 2025 and each fiscal year thereafter.
- Allow a carryover of the aggregate credit cap from one fiscal year to another fiscal year if the full cap is not utilized.
- Repeal the January 1, 2027 sunset date applicable to the credit.

If enacted during the regular session of the 2025 General Assembly, the remaining provisions of the bill would become effective July 1, 2025.

6. **Budget amendment necessary:** Yes.

Item(s): Page 1, Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

### 8. **Fiscal implications:**

#### Administrative Costs

The Department of Taxation ("the Department"), Virginia Film Office, and Virginia Tourism Authority consider implementation of this bill as routine, and do not require additional funding.

#### Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2026.

The portion of this bill increasing the annual aggregate credit cap by \$5 million from \$6.5 million to \$11.5 million would have an estimated negative General Fund revenue impact of approximately \$5 million annually, with a greater impact of up to \$10 million in Fiscal Year 2026. Due to the timing of the effective date of the legislation, the \$5 million impact attributable to the aggregate credit cap increase for Fiscal Year 2025 could double the impact in Fiscal Year 2026 or, alternatively, increase the impact in subsequent years, depending on when the Virginia Film Office chooses to allocate the credits.

The portion of this bill providing an affirmative mechanism for permitting unallocated credits to pour over to future fiscal years would have an unknown General Fund revenue impact. To the extent that unallocated credits from previous fiscal years are allocated to taxpayers in future fiscal years, there would be uncertainty in terms of when the negative revenue impact associated with this bill would occur. Therefore, the credit as modified by this bill could have a negative revenue impact in excess of the annual \$11.5 million cap for any given fiscal year.

The portion of this bill that would repeal the January 1, 2027 sunset provision would have no impact on General Fund revenue because the extension of the sunset date for income tax credits is assumed in the official General Fund revenue forecast.

**9. Specific agency or political subdivisions affected:**

Department of Taxation  
Virginia Film Office  
Virginia Tourism Authority

**10. Technical amendment necessary:** No.

**11. Other comments:**

Motion Picture Production Tax Credit

During the 2010 Session, the General Assembly enacted the Motion Picture Production Tax Credit. This credit consists of a series of refundable individual and corporate income credits for motion picture production companies that meet certain criteria. A motion picture production company with qualifying expenses of at least \$250,000 may receive a credit equal to 15 percent of qualifying expenses or 20 percent of qualifying expenses if the production is filmed in an economically distressed area of Virginia.

A motion picture production company may receive an additional credit equal to 10 percent of the total aggregate payroll for Virginia residents employed in connection with the production of a film in Virginia when total production costs in Virginia are at least \$250,000, but not more than \$1 million. This additional credit is equal to 20 percent of the total aggregate payroll of such residents when total production costs in Virginia exceed \$1 million.

A motion picture production company may also receive an additional credit equal to 10 percent of the total aggregate payroll for Virginia residents employed for the first time as

actors or members of a production crew in connection with the production of a film in Virginia.

“Qualifying expenses” are defined as the sum of the following amounts spent in Virginia by a production company for the production of a motion picture film or an episodic television series filmed in Virginia:

- Goods and services leased or purchased.
- Compensation and wages of up to \$1 million per individual for personal services with respect to a single motion picture production.

The Virginia Film Office is generally responsible for administering the credit. The Department is responsible for administering the credit bank with respect to the majority of Virginia’s tax credits, including the Motion Picture Production Tax Credit.

The aggregate amount of all credits that may be allocated to taxpayers is capped at \$6.5 million per fiscal year. Any allocated credits, below such amount, are carried forward and made available for allocation in future fiscal years.

The sunset date of the Motion Picture Production Tax Credit is currently January 1, 2027.

#### Media-Related Sales and Use Tax Exemption

Beginning July 1, 1995 and ending July 1, 2027, Virginia exempts the equipment, parts and accessories used in the production of audiovisual works, as well as

- The lease, rental, license, sale, other transfer, or use of any audio or video tape, film or audiovisual work for the purpose of using or incorporation into an audiovisual work;
- The provision of production services or fabrication in connection with an audiovisual work; or
- The transfer or use of tangible personal property incident to the performance of such services or fabrication.

#### Sunset Dates for Income Tax Credits

Section 3-5.13 of the Appropriation Act provides that the General Assembly may not advance the sunset date for any existing income tax credit or sales tax exemption beyond June 30, 2030.

During the 2012 Session, the General Assembly enacted House Bill 246 (2012 Acts of Assembly, Chapter 265), which prohibits legislation from adding a new credit or renewing an existing credit unless the legislation contains a sunset date of no longer than five years from the effective date of the new or renewed credit.

#### Proposal

This bill would rename the Motion Picture Production Tax Credit as the Content Manufacturing Tax Credit and would make the following changes to the tax credit:

- Increase the annual aggregate credit cap by \$5 million from \$6.5 million to \$11.5 million for Fiscal Year 2025 and each fiscal year thereafter.
- Allow a carryover of the aggregate credit cap from one fiscal year to another fiscal year if the full cap is not utilized.
- Repeal the January 1, 2027 sunset date applicable to the credit.

This bill would also reorganize the section of the *Code of Virginia* containing the current Motion Picture Production Tax Credit to add two new definitions, "eligible project" and "episodic television series."

"Eligible project" would be defined as the production of a motion picture or an episodic television series. "Eligible project" would not include any production that (i) is political advertising, (ii) is a television production of a news program or live sporting event, (iii) contains obscene material, or (iv) is a reality television production.

"Episodic television series" would be defined as a television program consisting of multiple episodes of a single season. In the case of an episodic television series, an entire season of episodes shall be deemed to be one production.

"Qualifying expenses" would be defined the same as under current law but would not include any expenses that were exempt from retail sales and use tax pursuant to the Virginia Retail Sales and Use Tax Act. However, if a taxpayer accrued such expenses at least one year prior to entering into a memorandum of understanding with the Virginia Tourism Authority pursuant and such expenses were exempt from retail sales and use tax, such expenses may be counted as qualifying expenses.

The qualifying criteria used by the Virginia Film Office to select which of the eligible projects should receive Motion Picture Production Tax Credits would be modified to include the amount of capital investment in the Commonwealth. This bill would also make some technical changes to the language in the amended code sections.

If enacted during the regular session of the 2025 General Assembly, the remaining provisions of the bill would become effective July 1, 2025.

### Similar Bills

**HB 2108** would increase the aggregate cap on the motion picture production tax credit allocated in each fiscal year from \$6.5 to \$8.5 million beginning in FY 2025.

cc : Secretary of Finance

Date: 01/16/2025 ALS  
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