

DEPARTMENT OF TAXATION

2025 Fiscal Impact Statement

1. **Patron** Charniele L. Herring

3. **Committee** House Finance

4. **Title** Income Tax: Motion Picture Production Tax Credit

2. **Bill Number** HB 2108

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would increase the annual aggregate credit cap for the Motion Picture Production Tax Credit ("MPPTC") by \$2 million from \$6.5 million to \$8.5 million for Fiscal Year 2025 and each fiscal year thereafter.

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.)

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025-26	(\$4 million)	GF
2026-27	(\$2 million)	GF
2027-28	(\$2 million)	GF
2028-29	(\$2 million)	GF
2029-30	(\$2 million)	GF
2030-31	(\$2 million)	GF

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 estimated negative General Fund revenue impact as shown on Line 7b. Due to the timing of the passage of this credit, the increase in the credit cap for

Fiscal Year 2025 would not have a revenue impact until Fiscal Year 2026 or later. If it is assumed that the \$2 million increase in the Fiscal Year 2025 cap would be allocated by the Virginia Film Office during Fiscal Year 2026, the revenue impact for would be:

- \$4 million for Fiscal Year 2026, which would be the sum of the \$2 million Fiscal Year 2025 cap and the \$2 million Fiscal Year 2026 cap, and
- \$2 million annually for Fiscal Year 2027 and after.

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 2011 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.

Proposal

This bill would increase the annual aggregate credit cap for the MPPTC by \$2 million from \$6.5 million to \$8.5 million for Fiscal Year 2025 and each fiscal year thereafter.

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

SB 1179 removes the sunset, renames the tax credit the content manufacturing tax credit, increases the cap from \$6.5 to \$11.5 million beginning in FY 2025, and allows unclaimed credits to be carried over to the following fiscal year.

cc : Secretary of Finance

Date: 01/18/2025 ALS
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