



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0326.01: Generally revise laws related to MEDIA Act film tax credits**

Primary Sponsor: **Greg Hertz**

Status: **As Introduced**

☐ Included in the Executive Budget

☒ Needs to be included in HB 2

☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts

☐ Technical Concerns

☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$97,604	\$96,038	\$97,322	\$98,629
State Special Revenue (02)	\$9,500	\$9,500	\$9,500	\$9,500
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Credit Transfer Fee	\$360,000	\$360,000	\$360,000	\$360,000
Credits Claimed	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)
State Special Revenue (02)	\$9,500	\$9,500	\$9,500	\$9,500
Re-allocation fee	\$120,000	\$120,000	\$60,000	\$60,000
Net Impact	<u>(\$17,737,604)</u>	<u>(\$17,736,038)</u>	<u>(\$17,737,322)</u>	<u>(\$17,738,629)</u>
General Fund Balance				

Description of fiscal impact

SB 326 revises the Montana Economic Development Industry Advancement (MEDIA) Act film tax credit, including increasing the annual cap from \$12 million to \$30 million (an \$18 million increase), and splitting the credit amount up into specific categories for smaller and more Montana based productions or production companies. The bill is estimated to decrease general fund revenue by approximately \$17.64 million per year beginning with FY 2026. The Department of Revenue would need an additional 1.00 FTE to administer the bill.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. SB 326 makes changes to the Montana Economic Development Industry Advancement (MEDIA) Act film tax credit, including increasing the annual cap from \$12 million to \$30 million and extending the expiration date of the MEDIA Act from December 31, 2029 to December 31, 2045. The bill has a retroactive effective date of January 1, 2025.
2. This bill also adds a requirement to qualify for the MEDIA Act credits that at least 60% of the principal photography time of the production is required to be completed in Montana.
3. Of the \$30 million cap, \$12 million each year is allocated for clearing the backlog of credits reserved by productions occurring prior to December 31, 2024. Based on the productions that have already occurred and submitted costs to the Department of Revenue, it is estimated this allocation will be in place through 2029.

4. The remaining \$18 million under the increased cap (\$30 million), once the current backlog has been cleared, would be allocated on first-come first-served in four categories as follows: a) 40% to any production or post-production company, b) 10% for independent films, c) 25% for media production credits derived from base investment related to the rental cost of qualified Montana facilities, and d) 25% for domiciled companies.
5. The terms independent films, qualified Montana facilities and domiciled companies are defined in Section 3 of the bill. The order for first-come first-served reservation of available credits is determined by when a production submits its costs to the DOR after production concludes.
6. Any available credits in the above categories b, c, and d, as of April 1 of the following year may be reallocated to the first category (a.) to be available to any production on a first-come first-served basis. Any credit amounts that are reallocated are subject to a 2% fee that will be deposited in a new state special revenue account for media manufacturing industry workforce training. Also, beginning with productions occurring in 2025, there will be no backlog, and any productions submitting their costs after the limit for a given year have been reached will not receive credits for a future year.
7. The credit cap started at \$10 million in 2020 and increased to \$12 million in 2022. The cap has been reached every year since the credit went into effect and based on the level of productions and credit backlog that has been created, it is expected that the proposed \$30 million cap will be reached each year as well. This will be an increase in credits of \$18 million per year beginning with productions occurring in 2025.
8. It is assumed that all credits will be transferred and subject to the 2% transfer fee, as has been the case thus far. Therefore, the transfer fee revenue is estimated to increase by \$360,000 each year. It is assumed that the additional credits will be transferred and claimed in the fiscal year following the calendar year for which the production receives the credit. The resulting impact is a reduction in general fund revenue of \$17,640,000 each year beginning with FY 2026.
9. It will likely take a few years for qualified Montana facilities to be built and domiciled companies to become operational to the point of being able to claim all the credits allocated for those categories. It is assumed for FY 2026 and FY 2027, \$6 million in credits in those categories will not be claimed by the April 1 deadline and will be reallocated to the general category and subject to that 2% fee. For FY 2028 and FY 2029, the reallocated credits amount is assumed to decrease to \$3 million each year. This will generate approximately \$120,000 in revenue to be deposited in the media manufacturing industry workforce training account in FY 2026 and FY 2027 and \$60,000 in FY 2028 and FY 2029.

DOR Administrative Costs

10. The new 60% principal photography in the state requirement and the separate categories of credits will create some additional complexities for the Department of Revenue's cost verification and audit process and require implementation of new rules. The department also anticipates having to verify slightly more credit amount and an additional \$18 million worth of credit transfers each year with the increased cap and credit roll-over/backlog going away. The department would need 1.00 FTE additional tax examiner to handle the added workload of this bill.
11. Total costs to the department for the additional 1.00 FTE are \$97,604 in FY 2026, \$96,038 in FY 2027, \$97,322 in FY 2028, and \$98,629 in FY 2029. These costs would be funded by the general fund and covered by the additional transfer fee revenue.

Department of Commerce

1. 15-31-1004, MCA, requires production companies to apply for certification by the Department of Commerce before they can receive the MEDIA tax credits. The application must be accompanied by a \$500 fee.
2. In CY 2024, there were a total of 94 known productions in Montana of which 33 were eligible for the tax credit.
3. Of the 33 productions that were eligible, 10 applied to the Department of Commerce for the state certification, or 30% of the total eligible (10/33).
4. For the purposes of this fiscal note, it is assumed that the same ratio of total eligible productions would apply for certification.

5. Of the 23 productions that did not apply for certification, it is estimated that 80% of those did not apply due to the known cap limits, and the knowledge that existing credits were reserved out until CY 2027.
6. With an increase in the cap, an additional 19 applications (23 x 80%) for certification would be received from productions that previously saw the cap as fully utilized.
7. The additional applications would result in \$9,500 (19 x \$500) of additional revenue which would be used to pay for expenditures related to the processing of applications and for preparing the biennial report on the economic impact of the tax credits as required by 15-31-1011, MCA.
8. As a result of increasing the cap to \$30 million, it is anticipated that additional eligible productions would come to the state, resulting in more applications for certification. However, it is not possible at this time to estimate with any degree of accuracy how many new productions would apply.
9. The department does not anticipate additional resources would be required to process the additional applications.

Fiscal Analysis Table

Department of Commerce

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$9,500	\$9,500	\$9,500	\$9,500
TOTAL Expenditures	\$9,500	\$9,500	\$9,500	\$9,500
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$9,500	\$9,500	\$9,500	\$9,500
TOTAL Funding of Expenditures	\$9,500	\$9,500	\$9,500	\$9,500
<u>Revenues</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$9,500	\$9,500	\$9,500	\$9,500
TOTAL Revenues	\$9,500	\$9,500	\$9,500	\$9,500
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
General Fund (01)	\$0	\$0	\$0	\$0

Department of Revenue

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
FTE	1.00	1.00	1.00	1.00
TOTAL Fiscal Impact	1.00	1.00	1.00	1.00
<u>Expenditures</u>				
Personal Services	\$85,493	\$86,585	\$87,693	\$88,819
Operating Expenses	\$12,111	\$9,453	\$9,629	\$9,810
TOTAL Expenditures	\$97,604	\$96,038	\$97,322	\$98,629
<u>Funding of Expenditures</u>				
General Fund (01)	\$97,604	\$96,038	\$97,322	\$98,629

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(continued)

TOTAL Funding of Expenditures	\$97,604	\$96,038	\$97,322	\$98,629
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Credits Claimed	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)
Credit Transfer Fee	\$360,000	\$360,000	\$360,000	\$360,000
Re-allocation fee	\$120,000	\$120,000	\$60,000	\$60,000
TOTAL Revenues	(\$17,520,000)	(\$17,520,000)	(\$17,580,000)	(\$17,580,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	(\$97,604)	(\$96,038)	(\$97,322)	(\$98,629)
Credits Claimed	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)
Credit Transfer Fee	\$360,000	\$360,000	\$360,000	\$360,000
Re-allocation fee	\$120,000	\$120,000	\$60,000	\$60,000
State Special Revenue (02)	\$0	\$0	\$0	\$0

STATEWIDE SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	1.00	1.00	1.00	1.00
TOTAL Fiscal Impact	1.00	1.00	1.00	1.00
Expenditures				
Personal Services	\$85,493	\$86,585	\$87,693	\$88,819
Operating Expenses	\$21,611	\$18,953	\$19,129	\$19,310
TOTAL Expenditures	\$107,104	\$105,538	\$106,822	\$108,129
Funding of Expenditures				
General Fund (01)	\$97,604	\$96,038	\$97,322	\$98,629
State Special Revenue (02)	\$9,500	\$9,500	\$9,500	\$9,500
TOTAL Funding of Expenditures	\$107,104	\$105,538	\$106,822	\$108,129
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Credit Transfer Fee	\$360,000	\$360,000	\$360,000	\$360,000
Credits Claimed	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)
State Special Revenue (02)	\$9,500	\$9,500	\$9,500	\$9,500
Re-allocation fee	\$120,000	\$120,000	\$60,000	\$60,000
TOTAL Revenues	(\$17,510,500)	(\$17,510,500)	(\$17,570,500)	(\$17,570,500)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	(\$97,604)	(\$96,038)	(\$97,322)	(\$98,629)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Credit Transfer Fee	\$360,000	\$360,000	\$360,000	\$360,000
Credits Claimed	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)	(\$18,000,000)
Re-allocation fee	\$120,000	\$120,000	\$60,000	\$60,000

NO SPONSOR SIGNATURE

2/20

Sponsor's Initials

Date



Budget Director's Initials

2/20/2025

Date