



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: SB0326.02 (004): Generally revise laws related to MEDIA Act film tax credits

Primary Sponsor: Greg Hertz Status: As Amended in Senate Committee

☐ 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</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<b>Expenditures</b>				
General Fund (01)	\$85,493	\$86,585	\$87,693	\$88,819
State Special Revenue (02)	\$0	\$0	\$0	\$0
Commerce Media Application fee	\$9,500	\$9,500	\$9,500	\$9,500
DLI MMI Workforce Training (Realloc fee)	\$240,000	\$240,000	\$120,000	\$60,000
<b>Revenues</b>				
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)	\$0	\$0	\$0	\$0
Commerce Media Application fee	\$9,500	\$9,500	\$9,500	\$9,500
DOR Re-allocation fee	\$240,000	\$240,000	\$120,000	\$60,000
<b>Net Impact</b>	<u>(\$17,725,493)</u>	<u>(\$17,726,585)</u>	<u>(\$17,727,693)</u>	<u>(\$17,728,819)</u>
<b>General Fund Balance</b>				

### Description of fiscal impact

SB 326 as amended in the Senate Taxation Committee, 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.

### FISCAL ANALYSIS

#### Assumptions

#### Department of Revenue

1. SB 326, amended in the Senate Taxation Committee, 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, or at least \$5 million in base investment in the state.

3. The \$30 million cap will be allocated first-come first-served in four categories as follows:
  - a. 40% (\$12 million) to any production or post-production company,
  - b. 10% (\$3 million) for independent films,
  - c. 25% (\$7.5 million) for media production credits derived from base investment related to the rental cost of qualified Montana facilities, and
  - d. 25% (\$7.5 million) for domiciled companies.
4. The terms independent films, qualified Montana facilities and domiciled companies are defined in Section 3 of the bill. First-come first-served for reserving available credits is determined by when a production submits its costs to the Department of Revenue after production concludes.
5. The first category (a.) above will be dedicated to clearing the backlog of reserved credits for productions that occurred prior to January 1, 2025. Based on the productions that have already occurred and submitted costs to the Department of Revenue, it is estimated this allocation will take through 2029, and then that \$12 million a year will be available to any new productions.
6. Any available credits in the above categories b, c, and d as of April 1 of the year following the productions may be reallocated to any production (occurring after December 31, 2024) 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 is a credit cap of \$24 million for any single production and credits must be claimed for the year the production occurred plus 2 subsequent years. It is assumed this is creating a 2 year carryforward for credits to be awarded to productions if there are insufficient remaining credits for the year of the production, but section 5 of the bill contradicts this (see technical note).
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, \$12 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 \$6 million and \$3 million, respectively. This will generate approximately \$240,000 in revenue to be deposited in the media manufacturing industry workforce training account in FY 2026 and FY 2027, \$120,000 in FY 2028 and \$60,000 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**

12. 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.
13. In CY 2024, there were a total of 94 known productions in Montana of which 33 were eligible for the tax credit.
14. 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).
15. For the purposes of this fiscal note, it is assumed that the same ratio of total eligible productions would apply for certification.
16. 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.
17. 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.
18. 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.
19. The department does not anticipate additional resources would be required to process the additional applications.

#### **Department of Labor and Industry**

20. The Department of Labor and Industry (DLI) assumes this bill will generate approximately \$240,000 in revenue to be deposited in the media manufacturing industry workforce training account in FY 2026 and FY 2027 and \$120,000 in FY 2028 and \$60,000 FY 2029 based on DOR's revenue assumptions to be used for workforce training.

#### **Fiscal Analysis Table**

	<b><u>FY 2026 Difference</u></b>	<b><u>FY 2027 Difference</u></b>	<b><u>FY 2028 Difference</u></b>	<b><u>FY 2029 Difference</u></b>
<b><u>Fiscal Impact</u></b>				

**Fiscal Note Request - As Amended in Senate Committee**

(continued)

FTE	1.00	1.00	1.00	1.00
<b>TOTAL Fiscal Impact</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
<b><u>Expenditures</u></b>				
Personal Services	\$85,493	\$86,585	\$87,693	\$88,819
Operating Expenses	\$0	\$0	\$0	\$0
Commerce Media Application fee	\$9,500	\$9,500	\$9,500	\$9,500
DLI MMI Workforce Training	\$240,000	\$240,000	\$120,000	\$60,000
<b>TOTAL Expenditures</b>	<b>\$334,993</b>	<b>\$336,085</b>	<b>\$217,193</b>	<b>\$158,319</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$85,493	\$86,585	\$87,693	\$88,819
State Special Revenue (02)	\$0	\$0	\$0	\$0
DLI MMI Workforce Training (Realloc fee)	\$240,000	\$240,000	\$120,000	\$60,000
Commerce Media Application fee	\$9,500	\$9,500	\$9,500	\$9,500
<b>TOTAL Funding of Expenditures</b>	<b>\$334,993</b>	<b>\$336,085</b>	<b>\$217,193</b>	<b>\$158,319</b>
<b><u>Revenues</u></b>				
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
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
DOR Re-allocation fee	\$240,000	\$240,000	\$120,000	\$60,000
Commerce Media Application fee	\$9,500	\$9,500	\$9,500	\$9,500
<b>TOTAL Revenues</b>	<b>(\$17,390,500)</b>	<b>(\$17,390,500)</b>	<b>(\$17,510,500)</b>	<b>(\$17,570,500)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	(\$85,493)	(\$86,585)	(\$87,693)	(\$88,819)
State Special Revenue (02)	\$0	\$0	\$0	\$0
DLI MMI Workforce Training (Realloc fee)	(\$240,000)	(\$240,000)	(\$120,000)	(\$60,000)
Commerce Media Application fee	\$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
DOR Re-allocation fee	\$240,000	\$240,000	\$120,000	\$60,000

**Technical Concerns**  
**Department of Revenue**

1. In section 7 (3)(b) the amendment to the bill adds in a two-year carryforward for credits that cannot be claimed for the year the production occurs. This conflicts with section 5 (1), which says the credit must be claimed for the year in which the production expenditures were incurred.

NO SPONSOR SIGNATURE 4.8

Sponsor's Initials

Date



Budget Director's Initials

4/7/2025

Date



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Dedication of Revenue 2027 Biennium

17-1-507, MCA.

1. Are there persons or entities that benefit from this dedicated revenue that do not pay?

*No*

No, fee benefits those in the film industry.

2. What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

*No*

N/A

3. Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?

*Yes*

The revenue is intended to create a media workforce training program as funds are available

4. Does the need for this state special revenue provision still exist?

*Yes*

Yes, SB 326 will establish a workforce training program that did not previously exist.

5. Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?

No

No.

**6. Does the dedicated revenue fulfill a continuing, legislatively recognized need?**

*Yes*

The dedicated revenue allows DLI to implement the workforce training program

**7. How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? Also, if the program/activity were general funded, could you adequately account for the program/activity?**

*Yes*

N/A DLI is able to adequately account for program/activity whether funded by General Fund or State Special Revenue.