LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 1, 2003

TO: Honorable Ron Wilson, Chair, House Committee on Ways & Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB30** by Hodge (Relating to the application of certain taxes on persons involved in television, motion picture, video, and audio productions.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB30, As Introduced: a negative impact of ($2,192,000) through the biennium ending August 31, 2005, if the effective date of the bill is July 1, 2003; or a negative impact of ($1,946,000) through the biennium ending August 31, 2005, if the effective date of the bill is October 1, 2003.

The following table assumes an effective date of July 1, 2003.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1
2003	($163,000)
2004	($997,000)
2005	($1,032,000)
2006	($1,071,000)
2007	($1,113,000)
2008	($1,160,000)

The following table assumes an effective date of October 1, 2003.

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1
2004	($914,000)
2005	($1,032,000)
2006	($1,071,000)
2007	($1,113,000)
2008	($1,160,000)

Fiscal Analysis

The bill would amend Chapters 152 and 156 of the Tax Code to exempt certain purchases made in connection with television, motion pictures, video, and audio productions.

The bill would amend Chapter 152 to exempt from the motor vehicle sales and use tax the purchase, rental, or use of a motor vehicle in connection with the commercial production of a television film, commercial, program, motion picture, or a video or audio recording that was sold or offered for sale, licensed, distributed, broadcast, or otherwise commercially exhibited. The tax that would have been remitted on the gross rental receipts without this exemption would be deemed to have been remitted for the purpose of computing the minimum gross rental receipts tax.

The bill would amend Chapter 156 to exempt from the state hotel occupancy tax a person involved in the commercial production of a television film, commercial, program, motion picture, or a video or audio recording that was sold or offered for sale, licensed, distributed, broadcast, or otherwise commercially exhibited, provided that the person had the right to use or possess a room in one hotel or in a series of two or more hotels for at least 15 consecutive days. A person paying the tax would be entitled to a refund. The exemption would not apply to city and county hotel taxes.

The bill would take effect July 1, 2003, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect October 1, 2003.

Methodology

Data were collected from public and private sources, including the Texas Film Commission. Motor vehicle rentals and purchases were estimated as a percentage of production budgets, extrapolated through 2008, and adjusted for effective date. For the hotel occupancy tax exemption, the state tax rate was applied to the estimated budget for lodging by commercial production companies meeting the 15-day minimum stay requirement. The fiscal impacts were extrapolated through 2008 and adjusted for effective date.

Note: The language in the bill does not precisely specify who could qualify for the exemptions ("motor vehicle *in connection with*," "persons *involved in*"). As such, the cost of the motor vehicle sales and use tax exemption was doubled, and the cost of the hotel occupancy tax exemption was increased by 25 percent.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, JO, SD, WP, SM