

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**April 19, 2005**

**TO:** Honorable Jim Keffer, Chair, House Committee on Ways & Means

**FROM:** John S. O'Brien, Deputy Director, Legislative Budget Board

**IN RE: HB1897** by Hodge (Relating to the application of certain taxes on persons exclusively involved in television, motion picture, video, and audio productions.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1897, As Introduced: a negative impact of (\$2,397,000) through the biennium ending August 31, 2007, if the effective date of the bill is July 1, 2005; or a negative impact of (\$2,148,000) through the biennium ending August 31, 2007, if the effective date of the bill is October 1, 2005.

The following table assumes an effective date of July 1, 2005.

**All Funds, Six-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2005	(\$163,000)
2006	(\$1,021,000)
2007	(\$1,213,000)
2008	(\$1,272,000)
2009	(\$1,330,000)
2010	(\$1,389,000)

The following table assumes an effective date of October 1, 2005.

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2006	(\$935,000)
2007	(\$1,213,000)
2008	(\$1,272,000)
2009	(\$1,330,000)
2010	(\$1,389,000)

**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 certain persons from the motor vehicle sales and use tax and the motor vehicle rental tax. Exempted from the tax would be persons who purchased, rented, or used a motor vehicle exclusively in connection with the production of a television film, commercial, program, nonbroadcast, industrial, or educational recorded material, a motion picture, or a video or

audio recording, a copy of which 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 exclusively in the production of a television film, commercial, program, nonbroadcast, industrial, or educational recorded material, a motion picture, or a video or audio recording, a copy of which 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 three consecutive days.

A person otherwise exempted in the bill would pay the tax and be entitled to a refund.

The bill would take effect July 1, 2005, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect October 1, 2005.

### **Methodology**

The estimated fiscal impact was based on data from the U.S. Census, the Texas Film Commission, and Comptroller tax records.

Motor vehicle rentals and purchases were estimated as a percentage of production budgets. The fiscal impacts were extrapolated through 2010 and adjusted for the proposed effective dates.

For the hotel occupancy tax exemption, the state tax rate was applied to the estimated budget for lodging by commercial production companies meeting the three-day minimum stay requirement. The fiscal impacts were extrapolated through 2010 and adjusted for proposed effective dates.

**Note:** The language in the bill may be subject to interpretation in terms of identifying specifically who could qualify for the exemptions (e.g, "motor vehicle used *in connection with*," "person *involved in* "). Also, broadening the eligible products to include materials produced for instructional, educational, sales, promotional, amusement, or entertainment purposes significantly increases the potential population of eligible persons to include sports teams, bands, circus performers, theater performers, wedding photographers, and other event-recording persons producing audio or video productions.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, SD, WP, SM