


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 11-0684
Prime Sponsor(s): Rep. Massey
 Sen. Spence

Date: February 21, 2011
Bill Status: House Economic & Business Development
Fiscal Analyst: Harry Zeid (303-866-4753)

TITLE: CONCERNING THE IMPOSITION OF A FEE ON MOVIE TICKETS SOLD IN THE STATE FOR PURPOSES OF FUNDING THE PERFORMANCE-BASED INCENTIVE PROGRAM ADMINISTERED BY THE COLORADO OFFICE OF FILM, TELEVISION, AND MEDIA.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012	FY 2012-2013
State Revenue			
General Fund			
Cash Funds			
Creative Industries Cash Fund		\$2,250,000	\$2,250,000
State Expenditures			
General Fund	\$440	\$260,574	\$11,126
Cash Funds			
Creative Industries Cash Fund		2,250,000	2,250,000
FTE Position Change			
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2011-2012: See State Appropriations section.			
Local Government Impact: None.			

Summary of Legislation

Beginning July 1, 2011, the sale of all movie tickets in Colorado shall be subject to a 10 cent fee. Ticket vendors will collect the fee from movie patrons and remit the fee on a monthly basis to the Department of Revenue. All movie ticket fee revenue will be credited to the Creative Industries Cash Fund for use by the Colorado Office of Film, Television, and Media to fund the performance-based incentive program for film production in the state.

Background

The Colorado Film Incentive Program offers producers a 10 percent cash rebate for production costs taking place in Colorado. The incentive program covers feature films, television pilots, television series, television commercials, music videos, industrials, documentaries and video game design and creation. To qualify for the program a Colorado production company must have

qualified in-state spending of at least \$100,000 on a project while an out-of-state production company must have at least \$250,000 in qualifying expenses. In addition to the qualifying expenses, at least 25 percent of the workforce on every project must be filled by Colorado residents.

State Revenue

The 10 cent fee on the sale of movie tickets is projected to generate \$2.25 million annually for the Creative Industries Cash Fund. According to the Motion Picture Producers of America Association, approximately 22.5 million movie tickets were sold in Colorado in 2008 (latest available). For purposes of this fiscal note, no growth is assumed in the number of annual movie tickets sold for FY 2011-12 and FY 2012-13.

State Expenditures

The Department of Revenue requires expenditures of **\$440 in FY 2010-11, \$260,574 in FY 2011-12, and \$11,126 in FY 2012-13.** Since the bill is silent regarding a funding source for the department's expenditures, this fiscal note assumes that the General Fund will be used.

Department of Revenue. The department will print and mail approximately 1,000 notification letters to all sales tax accounts that will be affected by the new movie fee, including theaters, grocery stores, on-line retailers and warehouse clubs that sell movie tickets. Postage of **\$440** will be necessary in FY 2010-11 for notification letters since the fee will be collected beginning July 1, 2011.

For 2011-12, **\$260,574** will be necessary, including \$3,180 for temporary staff to process incoming returns for 11 monthly remittance periods, and \$7,394 in operating expenses for printing and shredding of forms, postage, and data entry. Contract services of \$250,000 for 1,250 hours of computer programming at the rate of \$200 per hour will pay for an outside vendor to design and develop a new system as part of the Colorado Integrated Tax Architecture (CITA) to record and track fee revenue from movie tickets. For FY 2012-13, the department requires \$11,126, including \$3,060 for data processing and \$8,066 for operating expenses.

Office of Economic Development and International Trade (OEDIT). The bill will generate \$2,250,000 annually for the Creative Industries Cash Fund and will be available to the Office of Film, Television, and Media for distribution as performance-based film incentives. The office is part of the Creative Industries Division of OEDIT. Current OEDIT staff are responsible for marketing and processing performance-based film incentive applications. No additional staff resources are necessary to administer the additional revenue that will be available for the film incentive program.

State Appropriations

The Department of Revenue requires a General Fund appropriation of \$440 in FY 2010-11, and \$260,574 in FY 2011-12 to implement the bill. The Governor's Office of Economic Development and International Trade requires cash fund spending authority of an additional \$2,250,000 from the Creative Industries Cash Fund in FY 2011-12 for performance-based incentives for film production in the state.

Departments Contacted

Revenue Governor's Office State Treasurer