

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
81st Oregon Legislative Assembly
2021 Regular Session
Legislative Revenue Office

Bill Number: HB 3244
Revenue Area: Income Taxes
Economist: Kyle Easton
Date: 5/5/2021

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Increases maximum amount of tax credits that may be auctioned in a fiscal year, from \$14 million to \$20 million, for certified film production development contributions. Applies to fiscal years beginning on or after July 1, 2021.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2021-22	2022-23	2021-23	2023-25	2025-27
General Fund	-\$5.6	-\$5.9	-\$11.5	-\$6.4	-\$0.1
Oregon Production Investment Fund (OPIF)	\$5.4	\$5.4	\$10.9	\$5.4	\$0.0

Impact Explanation:

Estimate for Oregon Production Investment Fund (OPIF) auction credit reflects income tax credits available to individuals or corporations that purchase tax credits at an auction conducted by the Department of Revenue. Proceeds of the tax credit auction go to the OPIF. OPIF funds are used to reimburse qualified expenses of qualified film and video productions in Oregon. Under current law, the maximum annual amount of credits that may be auctioned is \$14 million per fiscal year. Measure increases fiscal year limit to \$20 million per fiscal year beginning with the 2021-22 fiscal year.

In recent auctions, full allotment of tax credits has been successfully sold at an average price of 91% of credit face value. As credits are auctioned in \$500 increments, this converts to an average purchase price of \$455 for a \$500 credit (minimum allowed purchase price is \$450). The difference in credit face value and amount paid for credit at auction causes the difference between reduction in General Fund revenue and funding provided to OPIF.

Further Analysis Required

Estimate reflects historic credit amounts used in tax year of credit auction, as well as subsequent tax year use resulting from unused credits being carried forward. Estimate also reflects tax credit's current law sunset of January 1, 2024. Enactment of other proposed legislation (SB 43) extending the underlying sunset would affect impact estimate of this measure in later biennia. As such, further analysis will be provided in the Joint Committee on Tax Expenditures.

Recent demand for tax credits auctioned for the OPIF has been sufficient to sell full allotment of credits. Recent OPIF auctions also suggest sufficient demand exists for OPIF auctions to be successful in auctioning full allotment of credits if limit is increased to \$20 million per fiscal year. However, a tax credit auction is generally held in months following the OPIF auction to support funding for Oregon's Opportunity Grant Fund. Recent results for both credit auctions suggest expansion of OPIF auction could reduce purchases of auctioned credits for the Opportunity Grant Fund. This may require multiple auctions to be held for the Opportunity Grant in order to sell full allotment of credits. As auction credits are purchased by a relatively small number of high-income taxpayers, and many such high-income taxpayers are not already purchasing credits, revenue impact estimate assumes full auction success for both auctions. However, there is risk to the estimate that by expanding the OPIF auction amount, some amount of auction derived funding is essentially shifted from the Opportunity Grant to the OPIF.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is to increase funding for the Oregon Production Investment Fund.

The policy purpose of the credit is to provide a financial return for qualified contributions to the Oregon Production Investment Fund thereby encouraging film and video production in Oregon and strengthening Oregon's film and video industry infrastructure by bringing in more production spending.

Further Analysis Required