



SENATE BILL 578: Reduce Franchise Tax/Expand Film Grants.

2019-2020 General Assembly

Committee: Senate Finance
Introduced by: Sen. Sawyer
Analysis of: PCS to First Edition
S578-CSBAf-28

Date: October 22, 2019
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OVERVIEW: *The Proposed Committee Substitute to Senate Bill 578 would do the following, all of which were included in House Bill 966, the 2019 Appropriations Act:*

- *Reduce the franchise tax rate from \$1.50 to \$0.96 over a two year span and remove one method of calculating a corporation's franchise tax base.*
- *Reduce the qualifying expense threshold for awards from the Film and Entertainment Grant Fund and clarify that certain awards are not subject to appropriation of State funds (House Bill 966 had an effective date of July 1, 2019; the PCS changes the effective date to when the act becomes law).*

BILL ANALYSIS AND EFFECTIVE DATES:

Section 1 makes the following franchise tax changes:

- Reduces the franchise tax rate from \$1.50 to \$0.96 per \$1,000 of tax base over a two year span – to \$1.29 for taxable year 2021 and to \$0.96 for taxable years beginning on or after January 1, 2022 – for all corporations except electric power companies.
- Electric power companies will continue to pay a franchise tax rate of \$1.50 per \$1,000 of tax base until 2026. Effective for taxable years beginning on or after January 1, 2027, electric power companies will pay the franchise tax rate applicable to all corporations.
- Eliminates the 55% of appraised value method used to determine a corporation's franchise tax base, effective for taxable years beginning on or after January 1, 2021.

Section 2 reduces the qualifying expense threshold for awards from the Film and Entertainment Grant Fund and clarifies that agreements awarding a grant pursuant to G.S. 143B-437.02A for which a production company is entitled to payment for performance under the agreement is a binding obligation of the State and is not subject to State funds being appropriated by the General Assembly. This section is effective when it becomes law and applies to grants made on or after that date.

Karen Cochrane-Brown
Director



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Legislative Analysis
Division
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