



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

2019-2020 General Assembly

Committee:	House Rules, Calendar, and Operations of the House	Date:	October 30, 2019
Introduced by:	Sen. Sawyer	Prepared by:	Trina Griffin Staff Attorney
Analysis of:	PCS to Second Edition S578-CSSVf-42		

OVERVIEW: *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, beginning with the 2021 taxable year. (In House Bill 966, this provision was effective beginning with the 2020 taxable year).*
- *Reduce the qualifying expense threshold for awards from the Film and Entertainment Grant Fund (Fund), effective when the act becomes law. (House Bill 966 had an effective date of July 1, 2019).*

The Proposed Committee Substitute removes proposed language that would have expressly provided that the award of grants from the Fund is a binding obligation of the State that is not subject to the appropriation of State funds.

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 increases the maximum grant award amount for a single season of a television series from \$12 million to \$15 million. The qualifying expense thresholds are reduced as follows:

- For feature-length films for theatrical viewing – From \$3 million to \$1.5 million dollars.
- For a television movie – From \$1 million to \$500,000 dollars.
- For a television series – From \$1 million to \$500,000 per episode.

This section is effective when it becomes law and applies to grants made on or after that date.

Nicholas Giddings, counsel to Senate Finance, substantially contributed to this summary.

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