



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

2019-2020 General Assembly

<b>Committee:</b>		<b>Date:</b>	December 9, 2019
<b>Introduced by:</b>	Sen. Sawyer	<b>Prepared by:</b>	Trina Griffin Staff Attorney
<b>Analysis of:</b>	Ratified		

**OVERVIEW:** *Senate Bill 578 would do the following:*<sup>1</sup>

- *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.*
- *Reduce the qualifying expense thresholds for awards from the Film and Entertainment Grant Fund (Fund) and increase from \$12 million to \$15 million the maximum grant amount for a single season of a television series.*

*This bill was vetoed by the Governor on November 8, 2019, has not been overridden by the General Assembly, and, therefore, has not become law.*

**BILL ANALYSIS AND EFFECTIVE DATES:**

**Section 1** would make the following franchise tax changes:

- Reduce 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 would 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 would pay the franchise tax rate applicable to all corporations.
- Eliminate 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** would reduce the qualifying expense threshold for awards from the Film and Entertainment Grant Fund and would increase the maximum grant award amount for a single season of a television series from \$12 million to \$15 million. The qualifying expense thresholds would be 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.

<sup>1</sup> All of the items in this bill were also in House Bill 966, the 2019 Appropriations Act, which has not become law as of the date of this summary.

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