HOUSE
RESEARCH
ORGANIZATION bill analysis 5/3/2001

HB 939
Hodge, A. Reyna

SUBJECT: Tax exemptions for TV, movie, video, and audio productions

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 8 ayes — McCall, Craddick, Hartnett, Bonnen, Y. Davis, Keffer, Ramsay, Ritter

1 nay — Heflin

1 present, not voting — Oliveira

1 absent — Hilbert

WITNESSES: For — Tricia Avery, Jacqueline McCall, Screen Actors Guild; Johnny Cann for Barbara Bratton, Highpoint Productions; Kenneth P. Freehill, Screen Actors Guild/Dallas-Fort Worth Branch; Hector Garcia; Tom Herod, Jr.

Against — None

On — Tom Copeland, Carol Pirie, Texas Film Commission; John Heleman, Comptroller of Public Accounts

BACKGROUND: Tax Code, chs. 152 and 156 provide for the levying of motor vehicle sales and use taxes and hotel occupancy taxes, respectively. Sec. 156.101 exempts from the hotel occupancy tax hotel room occupants who stay at least 30 consecutive days.

DIGEST: HB 939 would grant two tax exemptions for activities related to the commercial production of television programs, motion pictures, and video and audio recordings.

The bill would exempt from motor vehicle sales and use taxes the purchase, rental, or use of motor vehicles used in the making of movies, TV films, commercials or programs, or video or audio recordings. Individuals involved in any of those same activities who stayed at least 15 consecutive nights in a hotel, or in a series of two or more hotels, would be entitled to a refund of hotel occupancy taxes. To be reimbursed, they would have to file a refund claim with the Comptroller's Office.

The bill would not require car rental companies to include exempted vehicles in their calculations of the minimum gross rental receipts taxes they owed the state.

The bill would take effect July 1, 2001, if finally passed by a two-thirds vote of the membership of both houses. Otherwise, it would take effect October 1, 2001.

SUPPORTERS SAY:

HB 939 would help Texas remain a prime filming location. During the 1990s, according to the Texas Film Commission, movie, video, and TV production crews spent $2.4 billion in the state. The TFC reports that in 2000, 41 films were shot in Texas with budgets totaling $274 million, including $137 million spent on Texas goods, services and wages. Producers always look for any means to cut costs, and Texas faces increasing competition from other states and Canada, due to its favorable exchange rate.

Exempting vehicles and lodging would help Texas compete by reducing two of a production company's most significant expenses. In 1999, according to the Screen Actors Guild, 15 other states offered sales tax exemptions to the entertainment industry, and 14 exempted hotel taxes. Without these or similar incentives, fewer companies will shoot in Texas, and some Texas companies may go elsewhere.

Any revenue loss would be more than made up if the exemptions attracted only one mid-sized project. Texas already has a sound TV/film infrastructure and excellent locations statewide. These incentives would help keep that infrastructure intact. Production companies sell nothing, purchase large amounts of local goods and services, and do not harm the environment, making them an excellent source of economic development.

These exemptions would benefit all sizes of companies and projects, especially the smaller ones. The bill would include the $60-million-a-year TV commercial industry as well. Exempting vehicles would make Texas vendors more competitive in the bidding process. Two-week hotel stay exemptions would be attractive to TV movies and commercials that have shorter shooting schedules. It would give filmmakers that needed multiple locations more incentive to shoot outside major cities.

OPPONENTS SAY:

This kind of narrowly-targeted tax break would show unfair favoritism to a particular industry. Tax breaks should be rate-based and spread across the entire taxpayer population. Chipping away at the tax base piecemeal undermines not only the state's tax collections but skews its ability to forecast revenue and economic activity. Many other industries are important to the state's economy, yet they cannot all be given tax breaks to do business here.

According to the comptroller, any dynamic revenue effects of these exemptions would be virtually unnoticeable because of their small size relative to the overall economy. Significant impact does not occur below the $100 million level. Texas would be foregoing revenue with little to show in return.

OTHER OPPONENTS SAY:

The bill does not specify who would qualify for the exemptions. This ambiguity could complicate collections as well as revenue projections.