

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 270  
 Ways and Means

(Delegate Wells)

Budget and Taxation

**Film Production Activity Income Tax Credit - Alterations and Maryland Entertainment Council**

This bill increases the aggregate amount of film production activity tax credits that the Department of Commerce may award each year from \$12.0 million to \$15.0 million from fiscal 2024 through 2026. The bill also establishes the Maryland Entertainment Council to assess Maryland’s existing assets, opportunities, and competitive position with the film, television, and entertainment industry, study specified related topics, and make related recommendations. **The bill takes effect July 1, 2023, and applies to tax year 2023 and beyond; provisions related to the council terminate June 30, 2025.**

**Fiscal Summary**

**State Effect:** State revenues decrease by \$3.0 million annually from FY 2024 through 2026. Most of that amount, \$2.3 million annually, is general funds. Transportation Trust Fund (TTF) and Higher Education Investment Fund (HEIF) revenues decrease by the remaining \$0.7 million each year. TTF expenditures for local highway user revenue grants decrease by \$0.1 million from FY 2024 through 2026. Commerce can staff the council with existing resources, but general fund expenditures increase by up to \$100,000 in both FY 2024 and 2025 for study and evaluation costs. The Comptroller’s Office can handle the bill’s requirements with existing resources.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	(\$2.3)	(\$2.3)	(\$2.3)	\$0	\$0
SF Revenue	(\$0.7)	(\$0.7)	(\$0.7)	\$0	\$0
GF Expenditure	\$0.1	\$0.1	\$0	\$0	\$0
SF Expenditure	(\$0.1)	(\$0.1)	(\$0.1)	\$0	\$0
Net Effect	(\$3.0)	(\$3.0)	(\$2.9)	\$0.0	\$0.0

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Local highway user revenues decrease by \$0.1 million annually from FY 2024 through 2026. Expenditures are not affected.

**Small Business Effect:** Potential meaningful.

---

## Analysis

**Bill Summary:** The Maryland Entertainment Council is established, consisting of specified membership, and staffed by Commerce. A member of the council may not receive compensation as a member of the council but is entitled to reimbursement for travel expenses. The council must:

- assess Maryland’s existing assets, opportunities, and competitive position within the film, television, and entertainment industry;
- study State, local, and private assets that currently support Maryland’s film, television, and entertainment industry, including key infrastructure, existing workforce, workforce pipelines, scenic profile, emerging specialties, and independent creative communities;
- study existing State programs, agencies, offices, grant programs, and commissions across State agencies that support the film, television, and entertainment industry;
- study models, competitive profiles, methods, and legislation that states have utilized to incentivize necessary infrastructure and workforce to support the film, television, and entertainment industry;
- study industry needs, disruptive trends, and emerging technologies within the film, television, and entertainment industry;
- study complementary industries, aligned businesses, and potential corporate, philanthropic, and other partners for the film, television, and entertainment industry; and
- make recommendations on the development of a coordinated, comprehensive strategic plan to position Maryland as an emerging leader in the film, television, and entertainment industry.

By December 1, 2023, the council must submit a preliminary report to the Governor, the Secretary of Commerce, and the General Assembly that includes specified information and

recommendations. By September 1, 2024, the council must submit its final report to the Governor, the Secretary of Commerce, and the General Assembly on the matters included in the council's preliminary report plus additional recommendations, including for additional State investment in the film, television, and entertainment industry.

**Current Law:** A qualified film production entity that meets specified requirements and is approved by Commerce may receive a refundable tax credit equal to 25% of qualified film production costs incurred in the State. For a television series, the value of the credit is increased to 27%. The Secretary of Commerce may not award in the aggregate more than \$10 million for a single film production activity. This limitation applies to each season of a television series.

In order to qualify for the tax credit, the estimated total direct costs incurred in the State must exceed \$250,000. A qualified small or independent film entity with estimated total direct costs of at least \$25,000 may receive a refundable income tax credit of up to 25%, with a maximum tax credit amount per project of \$125,000. Commerce must award 10% of all tax credits in each fiscal year to qualified small or independent film entities.

Any salary, wages, or other compensation for personal services of an individual who receives more than \$500,000 in salary, wages, or other compensation for personal services in connection with any film production activity may not be included in total direct costs. Total direct costs do not include any salary, wages, or other compensation for writers, directors, or producers.

The film production entity must notify Commerce of its intent to seek the tax credit before the production activity begins. A film production entity is also required to submit an application containing specified information, including the project's estimated total budget, employment and wage estimates, and the anticipated dates for carrying out the major elements of the film production activity.

"Film production activity" is defined as the production of a film or video product that is intended for nationwide commercial distribution and includes a feature film, television project, commercial, corporate film, music video, or digital animation project.

The Secretary of Commerce may award a maximum of \$12 million in tax credits each fiscal year. Credits not issued in a fiscal year may be carried forward and issued in subsequent years.

**State/Local Fiscal Effect:** The bill authorizes Commerce to award an additional \$3.0 million in tax credits annually from fiscal 2024 through 2026. Assuming the maximum credits are awarded under both current law and the bill, State revenues decrease

by \$3.0 million annually from fiscal 2024 through 2026, as shown in **Exhibit 1**. Most revenue losses each year are general funds.

---

**Exhibit 1**  
**Projected Effect on State and Local Revenues**  
**Fiscal 2024-2026**  
**(\$ in Millions)**

	<u><b>FY 2024</b></u>	<u><b>FY 2025</b></u>	<u><b>FY 2026</b></u>
<b>State Revenues</b>			
General Fund	(\$2.3)	(\$2.3)	(\$2.3)
Higher Education Investment Fund	(0.2)	(0.2)	(0.2)
Transportation Trust Fund	(0.5)	(0.5)	(0.6)
<b>Total</b>	<b>(\$3.0)</b>	<b>(\$3.0)</b>	<b>(\$3.0)</b>
<b>Local Revenues</b>			
Local Highway User Revenues	(\$0.1)	(\$0.1)	(\$0.1)

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

---

A portion of TTF revenues from the corporate income tax is used to provide capital transportation grants to local governments (local highway user revenues). Thus, local highway user revenues decrease by \$0.1 million annually from fiscal 2024 through 2026; State TTF expenditures decrease correspondingly.

This estimate assumes that all tax credits are claimed against the corporate income tax, consistent with current credits. To the extent tax credits are claimed against the personal income tax, the effect on general fund revenues increases and the effect on TTF/HEIF revenues, and TTF expenditures decreases.

**Small Business Effect:** Small businesses that provide services to film productions benefit from any film production activities that occur in the State due to the expanded tax credit in fiscal 2024 through 2026. Affected businesses may include hotels, restaurants, caterers, vehicle rental companies, cleaning services, and event production companies, depending on the type of film production. This assumes that at least some additional activity would not occur in absence of the bill; the greater the inducement of activity, the more meaningful the effect on small businesses.

---

## **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Department of Commerce; Comptroller's Office; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 2023  
rh/jrb Third Reader - March 18, 2023  
Revised - Amendment(s) - March 18, 2023

---

Analysis by: Stephen M. Ross

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510