SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 3832 Introduced on January 29, 2025
Subject:	Film Incentives
Requestor:	House Ways and Means
RFA Analyst(s):	Manic
Impact Date:	February 18, 2025

Fiscal Impact Summary

This bill makes changes to the amounts and funding available to the South Carolina Film Commission, within the Department of Parks, Recreation and Tourism (PRT), for motion picture film incentives. The bill changes the funding by increasing the annual rebates the Film Commission may issue from $10,000,000 to $30,000,000 annually and repealing the current code section that allocates 26 percent of the prior year's General Fund admissions tax revenue to the Film Commission to provide non-payroll expenditure rebates. Further, if the full $30,000,000 is not issued, then any unused rebates may be carried forward for the next three tax years, increasing the limit in those subsequent years. Additionally, PRT may use a portion of the rebate allotment to fund the operations of the Film Commission and for promotion of collaborative production and educational efforts between institutions of higher learning and motion-picture related entities. Any funds used by the department reduce the annual rebate limit.

Further, the bill creates a new income tax credit for taxpayers with an accredited theater production certificate beginning in tax year 2025. The tax credit is set at 30 percent of the total production, performance, and transportation expenditures for the accredited theater production. The bill also specifies that the credits must be awarded on a first come, first serve basis, and the total amount of credits in a tax year is capped at a maximum of $2,000,000. Additionally, the bill allows the credit to be carried forward for the next three years, and it also specifies that a taxpayer may sell, exchange, or transfer the earned tax credit. The bill requires both PRT and the Department of Revenue (DOR) to review and certify the accreditation of an eligible theater production.

PRT intends to implement the changes related to motion picture film incentives with existing staff and resources. Expenditures for operating and personnel of the Film Commission have averaged $406,000 in recent years. However, depending on how the production fund or workforce development efforts are implemented in the future, PRT may require an additional FTE to handle these responsibilities. The expenses for this position would depend on availability of funds from rebates. Also, PRT indicates that it will request an increase in General Fund appropriations to hire an additional FTE (Economic Development Officer I) who will be responsible of handling the theater production income tax credit incentive program requirements. The expenditure impact of hiring this additional FTE is undetermined as the agency will need to research the market and evaluate the proper level of experience needed for this type of work.

DOR indicates that the bill's requirement to review and certify accredited theater productions eligible for the new income tax credit will have no expenditure impact on the agency as it expects to manage the additional requirements with existing staff and resources.

The bill will repeal the transfer of 26 percent of the prior year's General Fund admissions tax and increase allowable General Fund rebates by $20,000,000. The net impact will be to reduce available General Fund revenue by $9,804,100 beginning in FY 2025-26. General Fund income tax revenue is expected to be further decreased by up to $2,000,000 because of the new tax credit for eligible taxpayers with accredited theater productions. In summary, this bill may reduce General Fund revenue by up to $11,804,100 beginning in FY 2025-26.

Explanation of Fiscal Impact

Introduced on January 29, 2025
State Expenditure
This bill makes changes to the funding to the Film Commission for motion picture film incentives. Additionally, PRT may use a portion of the rebate allotment to fund the operations of the Film Commission and for promotion of collaborative production and educational efforts between institutions of higher learning and motion-picture related entities. Any funds used by the department reduce the annual rebate limit. The bill also creates a new income tax credit for taxpayers with an accredited theater production certificate, and it requires both PRT and DOR to review and certify the accreditation of eligible theater productions.

Department of Parks, Recreation and Tourism. PRT intends to implement the changes related to motion picture film incentives with existing staff and resources. Expenditures for operating and personnel of the Film Commission have averaged $406,000 in recent years. However, depending on how the production fund or workforce development efforts are implemented, PRT may require an additional FTE to handle these responsibilities. The expenses for this position would depend on availability of funds from rebates. Also, PRT indicates that it will request an increase in General Fund appropriations to hire an additional FTE who will be responsible of handling the review and certification of theater production applications for the tax credit incentive. The expenditure impact of hiring this additional FTE is undetermined as PRT indicates it will have to research the market and evaluate the proper level of experience needed for this type of work. However, the agency also indicates it expects the FTE to be classified as an Economic Development Officer I.

Department of Revenue. DOR indicates that the bill's requirement to review and certify accredited theater productions eligible for the new tax credit will have no expenditure impact on the agency as it expects to manage the additional requirements with existing staff and resources.

State Revenue
This bill makes changes to the funds available to the South Carolina Film Commission for motion picture film incentives. The bill changes the funding by increasing the annual rebates the South Carolina Film Commission may issue for motion picture payroll and non-payroll expenses from $10,000,000 to $30,000,000 annually and repealing the current code section that allocates

26 percent of the prior year's General Fund admissions tax revenue to the Film Commission to provide non-payroll expenditure rebates. Further, if the full $30,000,000 is not issued, then any unused rebates may be carried forward for the next three tax years, increasing the limit in those subsequent years. Additionally, PRT may use a portion of the rebate allotment to fund the operations of the Film Commission and for promotion of collaborative production and educational efforts between institutions of higher learning and motion-picture related entities. Any funds used by the department reduce the annual limit of rebates.

Currently, the Film Commission is authorized to rebate to a motion picture company a portion of the South Carolina payroll of the employment of persons subject to income tax withholdings for the motion picture production. The rebate may not exceed 20 percent of the aggregate payroll expenses for persons subject to South Carolina income tax and 25 percent for South Carolina residents. The production must have total costs in South Carolina of $1,000,000 during the taxable year.

Additionally, the Commission receives 26 percent of the prior fiscal year's General Fund admissions tax revenue pursuant to 12-62-60. These funds may be used to rebate up to 30 percent of the expenditures made by the company for non-payroll expenditures. Up to 7 percent may be used for marketing and special events, and 1 percent may be used for the promotion of collaborative production and education efforts. This section is repealed by the bill.

While the code sections currently separate the funding sources for payroll and non-payroll expenditures, the agency has been allowed to pool these funds by proviso, most recently Proviso 49.14 in the FY 2024-25 Appropriations Act. Further, the Commission has also been authorized to carry forward funds committed to projects from a prior fiscal year, most recently by Proviso 49.8.

The Commission reports that they anticipate there will be sufficient motion picture production projects to rebate the full $30,000,000 allowed under the bill. Based on the forecast by the Board of Economic Advisors on February 13, 2025, General Fund admission tax is projected to total $39,215,000 in FY 2024-25. Under current law, the Film Commission would receive 26 percent of this amount, or $10,195,900, in FY 2025-26. This bill would repeal this transfer, increasing available General Fund admission tax revenue by $10,195,900. The bill will increase General Fund rebates from $10,000,000 to $30,000,000, for a $20,000,000 reduction in available General Fund revenue due to rebates beginning in FY 2025-26. The net General Fund revenue impact of these changes will be a reduction of $9,804,100 in FY 2025-26.

Section 4 of the bill also creates a new tax credit for taxpayers with an accredited theater production certificate beginning in tax year 2025. The tax credit is set at 30 percent of the total production, performance, and transportation expenditures for the accredited theater production. In addition, the bill specifies that the credits must be awarded on a first come, first serve basis, and the total amount of credits in a tax year is capped at $2,000,000. The bill also allows the credit to be carried forward for the next three years, and it also specifies that a taxpayer may sell, exchange, or transfer the tax credit. An accredited theater production is defined as either a for-profit live stage pre-Broadway or post-Broadway presentation in a facility located in South

Carolina in which live theatrical productions are presented and which contains at least one stage, has a seating capacity of one thousand or more seats, and dressing rooms, storage areas, and other ancillary amenities required for the production. The bill requires both PRT and DOR to review and certify the accreditation of an eligible theater production.

Data related to theater production costs are limited. According to an article by the Limestone Post Magazine, production costs ranged from an average of more than $109,000 for smaller shows to approximately $330,000 for larger ones in 2019.[1] Accounting for inflation since 2019, we expect the average total production cost to start at approximately $137,000 in 2025. In addition, based on data from the online platform Broadway World, there are 52 theater shows scheduled in South Carolina during 2025.[2] Assuming a minimum cost of $137,000 per show and 52 shows per year, the total production costs in South Carolina in 2025 are expected to equal at least $7,124,000. Applying the 30 percent rate for the income tax credit, the estimated potential tax credits may total at least approximately $2,137,000. Given that many larger shows may have budgets that are well above $137,000, we believe there will be sufficient theater production volume for the income tax credit to reach the $2,000,000 maximum cap in a tax year. Further, as the tax credit may be sold or transferred, we anticipate that the full amount of the credit is likely to be used. Therefore, we estimate the tax credit will reduce General Fund revenue by $2,000,000 beginning in FY 2025-26.

In summary, the bill will reduce General Fund revenue by $9,804,100 due to the repeal of the transfer of 26 percent of the prior year's General Fund admissions tax and the increase in allowable General Fund rebates for motion picture payroll and non-payroll expenses beginning in FY 2025-26. Also, the bill will further reduce General Fund revenue from individual and corporate income taxes by up to $2,000,000 as a result of the theater production income tax credits. In total, the bill will reduce General Fund revenue by up to $11,804,100 beginning in FY 2025-26.

Local Expenditure
N/A

Local Revenue
N/A

[1] Julie Warren, Limestone Post Magazine, *Keeping Theatre Ticket Prices Low Despite High Production Costs*, February 11, 2019, https://limestonepostmagazine.com/keeping-theatre-prices-low-despite-high-costs/
[2] Broadway World, South Carolina Theater Shows, Retrieved February 10, 2025
https://www.broadwayworld.com/south-carolina/regionalshows.cfm

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