

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1320 (First Edition)

SHORT TITLE: Tax on Movies

SPONSOR(S): Representative Cansler, et al.

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>
REVENUES					
General Fund	\$1,525,657	\$2,118,498	\$2,225,021	\$2,336,521	\$2,452,998
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: October 1, 1998					

BILL SUMMARY: The bill imposes a one percent gross receipts tax on motion picture shows instead of the three percent tax charged other entertainment or amusement.

BACKGROUND: When the privilege tax on motion picture shows was repealed on July 1, 1997, movies then became subject to the 3% gross receipts tax charged amusements and entertainment. However, the Department of Revenue chose not to assess this tax in FY 97-98 until the General Assembly clarified that the tax should be collected. The Department's uncertainty arose from the absence of debate by the 1996 General Assembly on the issue of imposing a gross receipt tax on movies.

ASSUMPTIONS AND METHODOLOGY:

A 1% gross receipts tax on movie admissions would generate approximately \$1.5 million in General Fund revenue in FY 1998-99 if enacted on October 1, 1998. The estimate of gross receipts generated by North Carolina movie theaters in 1996 is based on data from the Motion Pictures Association of America. Nationwide, the box office gross was \$5.9 billion on 1.3 billion tickets sold. The average admission price at the 29,690 movie screens across the country was \$4.42. The average gross revenue per screen in 1996 was \$199,107. The National Association of Theater Owners reported 897 movie screens in North Carolina in 1996.

Assuming NC theater gross revenues equal the national average, the 897 Tarheel screens produced \$178.6 million in revenues in 1996. If a 1% gross receipts tax were applied, the state would have earned \$1.78 million in taxes in 1996.

The number of NC screens has grown 5% a year since 1992, but gross revenue per screen has risen and fallen over the last five years. For estimating purposes, it is assumed that the number of movie screens will increase 5% a year, but there will be no increase in gross revenue per screen.

	<u>NC Screens</u>	<u>Gross per screen</u>	<u>Gross revenue</u>	<u>1% tax</u>
1996	897	\$199,107	\$ 178,598,979	\$ 1,785,990
1997	942	\$199,107	\$ 187,558,794	\$ 1,875,588
1998	989	\$199,107	\$ 196,916,823	\$ 1,969,168
1999	1,038	\$199,107	\$ 206,673,066	\$ 2,066,731
2000	1,090	\$199,107	\$ 217,026,630	\$ 2,170,266
2001	1,145	\$199,107	\$ 227,977,515	\$ 2,279,775
2002	1,202	\$199,107	\$ 239,326,614	\$ 2,393,266
2003	1,262	\$199,107	\$ 251,273,034	\$ 2,512,730

The chart below assumes an October 1, 1998 effective date for FY 1998-99. The remaining years are adjusted for fiscal years by taking half of one calendar year plus half of the next calendar year.

<u>Fiscal Year</u>	<u>Revenue</u>
1998-99	\$ 1,525,657
1999-00	\$ 2,118,498
2000-01	\$ 2,225,021
2001-02	\$ 2,336,521
2002-03	\$ 2,452,998

FISCAL RESEARCH DIVISION
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