

SENATE BILL REPORT

SB 6423

As Reported By Senate Committee On:
Labor, Commerce, Research & Development, January 21, 2008
Ways & Means, February 27, 2008

Title: An act relating to strengthening the tax credit and modifying the governing board of a Washington motion picture competitiveness program.

Brief Description: Strengthening the tax credit and modifying the governing board of a Washington motion picture competitiveness program.

Sponsors: Senators Brown, Hewitt, Kohl-Welles and McAuliffe.

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 1/17/08, 1/21/08 [DP-WM].

Ways & Means: 2/12/08, 2/27/08 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: Do pass and be referred to the Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Holmquist, Ranking Minority Member; Franklin, Hewitt, King, Murray and Prentice.

Staff: Kathleen Buchli (786-7488)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6423 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Brandland, Hewitt, Honeyford, Keiser, Kohl-Welles, Rasmussen, Regala, Rockefeller, Schoesler and Tom.

Staff: Dean Carlson (786-7305)

Background: In 2006, the Legislature authorized the establishment of a Washington motion picture competitiveness program (MPCP) to revitalize the state's economic, cultural, and educational standing in the motion picture production industry. An MPCP is a non-profit entity administered by a board of directors appointed by the Governor and consisting of

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representatives of the film industry, labor unions, visitors and convention bureaus, the tourism industry, and the restaurant hotel and airline industry.

An MPCP provides up to 20 percent of the in-state cost of, or investment in, certain film production projects that meet film industry revitalization criteria set by the Department of Community, Trade and Economic Development. A contributor of cash of up to 1 million dollars to an MPCP qualifies, dollar for dollar, for a business and occupation (B&O) tax credit until 2008. After 2008, the amount of the credit is reduced to 90 percent of the amount contributed. A credit may be claimed in the current year or carried over for up to three succeeding years. No more than 3.5 million dollars in credits may be granted, state-wide, in any one year. The B&O tax credit expires July 1, 2011.

Summary of Bill (Recommended Substitute): Beginning in 2010, the terms of the board members are modified to provide for staggered four-year terms. An MPCP may award a single motion picture production or episodic television project an amount greater than 1 million dollars. The provision that reduces the B&O tax credit to 90 percent of the amount contributed is removed, keeping the maximum credit that may be earned for a calendar year at the lesser of 1 million dollars or 100 percent of the amount contributed.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The increase of the maximum of statewide B&O tax credit from \$3.5 million to \$10 million is removed.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Labor, Commerce, Research & Development): PRO: Washington should be more competitive in attracting film productions to this state. The reduction to a 90 percent tax credit should be removed to keep donors attracted to the program. The amount of credits should be increased to 10 million dollars and the 1 million dollar cap should be removed to ensure Washington's ability to compete with neighboring states. As an example, Oregon does not have a per production cap of 1 million dollars; removing this cap in Washington will level the playing field between this state and Oregon. The threshold for commercial productions is too high and should be lowered from 250,000 dollars. Applications to Washington Film Works are for productions in both eastern and western Washington. The program is seeing a five to one return on the money it distributes; a distribution of 200,000 dollars will bring 1 million dollars to the state. This is an employment and economic development program and has begun to see great success.

Persons Testifying (Labor, Commerce, Research & Development): PRO: Becky Bogard, Washington Film Works; Amy Dee, Washington Film Works; Don Jensen, Washington Film Works.

Staff Summary of Public Testimony on Original Bill (Ways & Means): PRO: We need to be more competitive with our neighboring states. We started in July of 2006, and kind of got

off to a slow start with having to go through several regulations. We would be more competitive if we could eliminate the \$1 million dollar limit. Also, we would like to increase the amount that we can raise. We have received 25 applications of which 8 projects have already been completed. Thirty-eight states have similar incentives and Oregon gives away \$5 million per year compared to our \$3.5 million. This program can actually be used as an incubator for in state companies. This has been very successful in the Spokane area. Labor feels that this is a good bill. Washington has been known as a fly-over state. This will help us get more production here and create many jobs.

Persons Testifying (Ways & Means): PRO: Becky Bogard, Washington Film Works; Bob Riggs, IATSE Local 488; Amy Dee, Washington Film Works; Abby Dylan, Washington Film Works/ Screen Actors Guild.