
Finance Committee

HB 1527

Brief Description: Modifying Washington state's motion picture and film industries tax credit.

Sponsors: Representatives Riccelli, Orcutt, Holy, Wilcox, Vick, Volz, Buys, McBride, Robinson, Stonier, Short, McCaslin, Ortiz-Self, Nealey, Morris, Rodne, Stambaugh, Tarleton, Wylie, Ryu, Pollet, Springer, Macri, Chapman, Haler, Orwall, Appleton, Fitzgibbon, Hargrove, Barkis, Goodman, Tharinger, Farrell, Ormsby and Gregerson.

Brief Summary of Bill

- Extends the current Motion Picture Competitiveness Program business and occupation (B&O) tax credit an additional ten years.
- Authorizes an additional B&O tax credit for a "major motion picture that portrays a significant even in Washington".
- Adds "associated creative industries" to the focus of the Motion Picture Competitiveness Program.

Hearing Date: 1/27/17

Staff: Tracey O'Brien (786-7152).

Background:

Business and Occupation Tax.

Washington's major business tax is the Business and Occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General Fund. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. Current law authorizes multiple exemptions, deductions, and credits to reduce the B&O tax liability for specific taxpayers and business industries.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Motion Picture Competitiveness Program.

The Legislature created the Motion Picture Competitiveness Program (Program) in 2002 with the intent of maintaining Washington's position as a competitive location for filming motion pictures, television, and television commercials. The Program allows taxpayers that contribute to an incentive fund to receive a credit against their B&O tax for the full amount contributed.

Qualifying production companies that film in Washington can apply for payment from the incentive fund.

The Department of Community, Trade, and Economic Development – now the Department of Commerce, was directed to adopt criteria for an approved Motion Picture Competitiveness Program. The Department of Commerce (Commerce) was also directed to adopt rules, within established criteria, for awarding incentive payments to production companies. Additionally, Commerce was required to collect annual surveys from the production companies receiving the incentives, and report on the information in the surveys to the Legislature.

In 2006 legislation created a nonprofit corporation to administer the incentive payments to production companies. Washington Filmworks, the nonprofit corporation, processes the production companies' applications for incentive payments pursuant to Commerce's rules.

In December 2010 the Joint Legislative Audit and Review Committee (JLARC) made recommendations to the Legislature based on its review of the effectiveness of the program. Based on these recommendations, the Legislature extended the expiration date of the credit to July 1, 2017. It also modified various parts of the Program including how funding was to be allocated, expanded the purpose of the Program, and capped the statewide B&O tax credit at \$3.5 million per calendar year. The credit is also limited to \$1 million per business per year.

JLARC reviewed the effectiveness of the program again in 2015, specifically reviewing two public policy objectives: (1) to regain Washington's competitive position as a location for motion picture projects and (2) to provide family wage jobs with health and retirement benefits. JLARC's recommendation to the Legislature was to review and clarify the public policy object, specifically, provide additional detail on the target for Washington's film industry relative to other states, as well as details pertaining to the desired employment outcomes.

The current Motion Picture Competitiveness Program tax credit expires July 1, 2017.

Summary of Bill:

The Legislature's specific public policy objective with the Motion Picture Competitiveness Program is to increase the viability of the motion picture and film industry and associated creative industries in Washington state. It is the intent of the Legislature by extending the credit availability to attract additional motion picture and film projects, and related family-wage jobs. If the JLARC review finds that the jobs attributable to the projects receiving the tax credit increase by 10 percent over the jobs in the state in 2016, there is the intent to extend the expiration date of the credit.

The current Motion Picture Competitiveness program is extended an additional 10 years, until July 1, 2027. "Associated creative industries" are added to the motion picture production

industry as a focus of the Motion Picture Competitiveness Program.

In addition, a B&O tax credit is allowed for a person who makes a contribution to the Motion Picture Competitiveness Program for a major motion picture production that portrays a significant historical event in Washington. The credit is available for calendar years 2017, 2018 and 2019. The aggregate statewide maximum is \$3 million. If filming on a major motion picture that portrays a significant historical event in Washington does not begin filming by July 1, 2019, any credits previously awarded and used to reduce any tax liability must be repaid by December 31, 2019. Any unused credits are voided. This additional B&O tax credit expires January 1, 2020.

A "major motion picture that portrays a significant event in Washington" is defined as a motion picture being filmed for theatrical release with a total budget of at least \$20 million that portrays an event that occurred, at least in part, in Washington state during the twentieth century.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.