

SENATE BILL REPORT

SB 5502

As Reported by Senate Committee On:
Agriculture, Water, Trade & Economic Development, February 14, 2017

Title: An act relating to modifying Washington state's motion picture and film industries tax credit.

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

Sponsors: Senators Becker, Frockt, Baumgartner, Fain, Rolfes, Rivers, Billig, Zeiger, Darneille, Keiser, Hunt and Saldaña.

Brief History:

Committee Activity: Agriculture, Water, Trade & Economic Development: 2/09/17, 2/14/17 [DPS-WM, w/oRec].

Brief Summary of Substitute 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 event in Washington.

SENATE COMMITTEE ON AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5502 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Warnick, Chair; Hawkins, Vice Chair; Wellman, Assistant Ranking Minority Member; Brown, McCoy, Pearson, Short, Takko and Van De Wege.

Minority Report: That it be referred without recommendation.

Signed by Senators Chase, Ranking Minority Member; Honeyford.

Staff: Greg Vogel (786-7413)

Background: The Legislature created the Motion Picture Competitiveness Program (Program) in 2002 with the intent of maintaining Washington's position as a competitive

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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.

In 2006, legislation created a nonprofit corporation to administer the incentive payments to production companies. Under rules adopted by the Department of Commerce, Washington Filmworks, the nonprofit corporation, processes the production companies' applications for incentive payments.

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 capped the statewide B&O tax credit at \$3.5 million per calendar year and limited the credit to \$1 million per business per year.

Summary of Bill (First Substitute): The current 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 Program.

In addition, a B&O tax credit is allowed for a person who makes a contribution to the 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 amount of the credit for all three calendar years may not exceed \$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.

If a 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.

EFFECT OF CHANGES MADE BY AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT COMMITTEE (First Substitute):

- Clarifies how the new tax credit for a motion picture that portrays a significant historical event in Washington interacts with the existing motion picture tax credit.
- Clarifies how Washington Filmworks will notify the Department of Revenue if filming begins in Washington.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: In the past, there have been several strong examples of film production generating significant revenue for local areas. All of the restaurants, hotels, grocery stores, and other local businesses benefit from their presence. Additionally, the exposure from films has a greater impact on local tourism than any advertising that can be spent. The program is not a break for Hollywood, but is rather designed for investment in local communities and projects across the state. The film industry has touched every county in the state and hires workers from every part of the state because of the program.

This bill allows Washington to be more competitive in a job market that is dictated by state incentive programs across the country. Washington's program is also unique in that it is the only incentive program of its kind that requires health and retirement benefits for employees. The program is an economic driver and the opportunities created from it greatly impact the livelihood of film workers in the state.

Persons Testifying: PRO: Senator Randi Becker, Prime Sponsor; Jason McKee, MODEfx; Amy Lillard, Washington Filmworks; Denise Gibbs, citizen; George Riddell, Big House Productions; Eric Lohnes, Association of Washington Business; Greg Smith, IATSE 488; Nancy Smith, Leavenworth Chamber of Commerce; Dave Drummond, citizen.

Persons Signed In To Testify But Not Testifying: PRO: Susan Whitman; Becky Reilly, Big Fish NW Talent Representation; Matt Jensen, Davenport Hotels; Jason McKee, ModeFX.