

# SENATE BILL REPORT

## SB 5640

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As of January 16, 2022

**Title:** An act relating to updating the motion picture competitiveness program to enhance funding and encourage productions in rural communities.

**Brief Description:** Updating the motion picture competitiveness program to enhance funding and encourage productions in rural communities.

**Sponsors:** Senators Short, Frockt, Conway, Holy, Lovelett, Nguyen, Rolfes, Wagoner and Wilson, L..

**Brief History:**

**Committee Activity:** Business, Financial Services & Trade: 1/18/22.

**Brief Summary of Bill**

- Increases the total amount of Business and Occupation tax credits that may be taken annually for the Motion Picture Competitiveness Program (Program) from \$3.5 million to \$25 million per year.
- Expands Program funding support to rural communities and educational opportunities for students in the arts.
- Requires an annual aggregate of at least \$6.5 million to fund projects in rural communities.
- Exempts certain entities contributing to the Program and receiving a tax credit from certain annual reporting requirements.

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**SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE**

**Staff:** Kellee Gunn (786-7429)

**Background:** Motion Picture Competitiveness Program and Washington Filmworks. The

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

Motion Picture Competitiveness Program (Program) was created by the Legislature in 2002 to help maintain Washington as a competitive location to film motion pictures, television, and commercials. In return for contributing to the Program's incentive fund, a business may receive a credit against their Business and Occupations (B&O) tax liability up to \$750,000 per year. The total amount that may be credited any calendar year for the Program is \$3.5 million.

The Program is overseen by a nonprofit corporation, Washington Filmworks (Filmworks), with a board of nine directors, appointed by the Governor.

The Department of Commerce (Commerce) is responsible for adopting criteria for the Program, along with other rules. Money for the program may only be used for:

- benefits for employees, and other costs associated with film production; and
- operating and administrative costs.

Maximum funding assistance is limited depending on the type of filming, the number of episodes, if in-state spending thresholds are met, and how much of a resident labor force is used.

Reporting Requirements. Those who contribute to the Program are subject to the annual reporting requirement for tax preferences, collected by the Department of Revenue (DOR), and an annual survey by Filmworks, and reported by Commerce. Both reports require employment and wage data, among other information.

**Summary of Bill:** The total amount of B&O tax credits taken annually is increased to \$25 million.

The program may use funding to support the growth and development of the Washington State film industry in rural communities as well as for educational opportunities for students in the arts.

An annual aggregate of at least \$6.5 million in funding assistance must go to fund projects in rural communities. A rural community has the same meaning as rural county and means a county with a population density of less than 100 persons per square mile or a county smaller than 225 square miles as determined by the Office of Financial Management.

Entities contributing to Filmworks and receiving a tax credit, and not otherwise receiving funding assistance under the program, are exempt from DOR's and Commerce's annual reporting requirements.

**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.