

# SENATE BILL REPORT

## SB 5760

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As of January 18, 2022

**Title:** An act relating to updating and expanding the motion picture competitiveness program.

**Brief Description:** Updating and expanding the motion picture competitiveness program.

**Sponsors:** Senators Wellman, Frockt, Conway, Keiser, Lias, Lovelett, Nguyen, Rolfes, Short and Wilson, C..

**Brief History:**

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

**Brief Summary of Bill**

- Increases the amount of Business and Occupation (B&O) tax credits that may be taken per year, per business entity, from \$750,000 to \$1 million.
- Increases the total amount of B&O tax credits taken annually from \$3.5 million to \$20 million.
- Modifies the membership of the board of directors of the Washington Motion Picture Competitiveness Program (Program).
- 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 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

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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 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. Except for a chairperson, chosen at large, the following must be represented on the board:

- one member of the Washington motion picture production industry;
- one member of the Washington motion picture postproduction industry;
- one member of the Washington interactive media or emerging motion picture industry;
- one member representing Washington visitors and convention bureaus;
- one member representing the Washington tourism industry;
- one member representing the Washington restaurant, hotel, and airline industry; and
- two members representing labor unions affiliated with Washington motion picture production.

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.

Reporting Requirements. Those who contribute to the Program are subject to the annual reporting requirement for tax preferences, collected by the Department of Revenue, 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 \$20 million, and the amount of credit that may be taken per year per entity is increased to \$1 million.

Filmworks' board membership is modified. In addition to two labor representatives, and the chairperson, the board must include :

- two members representing the Washington motion picture industry, with one demonstrating expertise in motion picture financing;
- one member from the Washington interactive entertainment industry, not involved in any aspect of the industry associated with gambling;
- one member representing technologies impacting the Washington emerging motion picture industry;
- three members representing industries and businesses impacted by motion picture production, two of whom must each represent a side of the Cascade Mountain range;
- a cochair of the board's equity committee, as recommended to the board by the Governor; and
- a cochair of the board's advisory committee, as recommended by the Governor.

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.

**Staff Summary of Public Testimony:** PRO: This is about reestablishing Washington as a player in the motion picture industry. Big projects have been driven to Canada and Atlanta, Georgia. Filmworks has brought projects in. The board changes reflect changes in the industry and includes the interactive industry, emerging industries, and representation from both sides of the Cascades. Both this bill and 5640 would strengthen the film industry in this state. The Twilight films were filmed in Oregon and Louisiana and Boys in the Boat, sadly, is being filmed in England and not here. Two factors have been significant in not attracting productions: lack of studios with sound stages and an inadequate film incentive. Last year, Harbor Island Studios in King County was created which will bring film production here. To be competitive, we need to increase the incentive.

In Spokane, we have investors and soundstages ready, we just need a program to bring the productions here and an increased incentive will do that. Freelance crews do not always work on independent contracts. The classifications of freelance crew is an issue that we are looking to address. This is the only program in the country that requires funding for crew benefits. An increase of this level is needed to be competitive. There is a lack of diversity in this industry. Even though it is getting more diverse, there is much more work to do. Adding the other equity co-chair to the board will ensure the funding is distributed in an equitable way. It is time to bring film back to Washington. It was challenging to find a job in this industry. The Filmworks' mentee program provided relevant tools to BIPOC filmworkers on overcoming barriers. It helped pave the way to my first job on an episode's production. While attending EWU, I accepted an internship with Z-nation. Since then, I have worked on six projects. We need to build the next generation of film makers. People who want careers in this industry leave Washington. The program is economic development and provides funding to motion picture production that in turn supports many other industries such as the hospitality and transportation.

We are the United Rentals of the film industry. Our company has sites in Portland and Tukwila. Since Oregon's film incentive was increased, our Portland based site has expanded to support smaller corporate-based projects to support large shows that film for many months and hire a hundred or more people. We can now accommodate three shows, where before we only needed to accommodate one. Washington Filmworks is crucial in

helping entities like ours to get these projects going.

Our production company has a long history with producing in Washington State. This incentive is crucial for producers in deciding where to film. It has become the fabric to how these projects are financed. There are a lot of advantages to filming in Washington. Even though British Columbia (BC) has a larger capacity, Filmworks' program is straightforward, and this state has a great pool of talent. Crew is very expensive up in BC.

As executive director of Washington Filmworks, increasing it to \$20 million a year would show our state's commitment to motion picture production. We would work with local gaming studios, and emerging industries. We would work to expand filming into rural areas. And we would work with students that are looking at a career in film. This would support a new film ecosystem that would provide year-long work. This program is mirrored after the Main Street program. The increase to \$1 million reflects what was in the program before. Approved productions create jobs. The rigorous review process that all films go through ensures job creation. The board is appointed by the Governor and it is sometimes a challenge to find board members. The changes to the board are more reflective of the industry right now, including underrepresented folks. Staff must clearly vet these projects and board members with a conflict of interest cannot vote on them.

It used to be where you could drive for the film industry for a living. We have a loyal group of Teamster members in this industry. Unfortunately, people can no longer make a living in film, and less members are here to do the work. This bill would bring work to Washington and to our members.

**Persons Testifying:** PRO: Senator Lisa Wellman, Prime Sponsor; Jeanne Kohl-Welles, King County Council; Jason Farley, Inland Northwest Film Studios; Derek Nunn, MagnumOpus Productions; Melinda Raebyne, Melinda Raebyne Films; Amy Lillard, Washington Filmworks; Julie Daman, Washington Filmworks; Don Jensen, Wash; Melissa Purcell, I.A.T.S.E. Local #488; Myron Partman; Frances Grace Mortel; Devante Smith; Nike Imoru; Doug Boss; Sherrye Wyatt, Film Liaison for Whidbey and Camano Islands; Andy Spaulding, Echo Lake Entertainment; Patty Warren, Teamsters Local 174.

**Persons Signed In To Testify But Not Testifying:** No one.