

## SB0049S01 compared with SB0049

~~{deleted text}~~ shows text that was in SB0049 but was deleted in SB0049S01.

inserted text shows text that was not in SB0049 but was inserted into SB0049S01.

**DISCLAIMER:** This document is provided to assist you in your comparison of the two bills. Sometimes this automated comparison will NOT be completely accurate. Therefore, you need to read the actual bills. This automatically generated document could contain inaccuracies caused by: limitations of the compare program; bad input data; or other causes.

Representative Stephen G. Handy proposes the following substitute bill:

### STATE FILM PRODUCTION INCENTIVES AMENDMENTS

2022 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Ronald M. Winterton**

House Sponsor: Stephen G. Handy

Cosponsor:

Daniel W. Thatcher

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#### LONG TITLE

~~{Committee Note:~~

~~— The Economic Development and Workforce Services Interim Committee recommended this bill.~~

~~— Legislative Vote: 9 voting for 0 voting against 7 absent~~

~~{General Description:~~

This bill modifies provisions related to motion picture incentives.

#### Highlighted Provisions:

This bill:

- ▶ defines terms;
- ▶ ~~{exempts certain rural film productions from limits on the total amount of~~

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~~refundable motion picture tax credit incentives~~ allows the Governor's Office of Economic Opportunity ~~{may}~~ to issue an additional amount of tax credit incentives each fiscal year only for rural film productions; and

- ▶ makes technical changes.

### Money Appropriated in this Bill:

None

### Other Special Clauses:

None

### Utah Code Sections Affected:

AMENDS:

**63N-8-102**, as last amended by Laws of Utah 2021, Chapter 282

**63N-8-103**, as last amended by Laws of Utah 2021, Chapters 282 and 436

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*Be it enacted by the Legislature of the state of Utah:*

Section 1. Section **63N-8-102** is amended to read:

#### **63N-8-102. Definitions.**

As used in this chapter:

(1) "Digital media company" means a company engaged in the production of a digital media project.

(2) "Digital media project" means all or part of a production of interactive entertainment or animated production that is produced for distribution in commercial or educational markets, which shall include projects intended for Internet or wireless distribution.

(3) "Dollars left in the state" means expenditures made in the state for a state-approved production, including:

(a) an expenditure that is subject to:

(i) a corporate franchise or income tax under Title 59, Chapter 7, Corporate Franchise and Income Taxes;

(ii) an individual income tax under Title 59, Chapter 10, Individual Income Tax Act; and

(iii) a sales and use tax under Title 59, Chapter 12, Sales and Use Tax Act, notwithstanding any sales and use tax exemption allowed by law; or

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(iv) a combination of Subsections (3)(a)(i), (ii), and (iii);

(b) payments made to a nonresident only to the extent of the income tax paid to the state on the payments, the amount of per diems paid in the state, and other direct reimbursements transacted in the state; and

(c) payments made to a payroll company or loan-out corporation that is registered to do business in the state, only to the extent of the amount of withholding under Section 59-10-402.

(4) "Loan-out corporation" means a corporation owned by one or more artists that provides services of the artists to a third party production company.

(5) "Motion picture company" means a company engaged in the production of:

(a) motion pictures;

(b) television series; or

(c) made-for-television movies.

(6) "Motion picture incentive" means either a cash rebate from the Motion Picture Incentive Account or a refundable tax credit under Section 59-7-614.5 or 59-10-1108.

(7) "New state revenues" means:

(a) incremental new state sales and use tax revenues generated as a result of a digital media project that a digital media company pays under Title 59, Chapter 12, Sales and Use Tax Act;

(b) incremental new state tax revenues that a digital media company pays as a result of a digital media project under:

(i) Title 59, Chapter 7, Corporate Franchise and Income Taxes;

(ii) Title 59, Chapter 10, Part 1, Determination and Reporting of Tax Liability and Information;

(iii) Title 59, Chapter 10, Part 2, Trusts and Estates;

(iv) Title 59, Chapter 10, Part 4, Withholding of Tax; or

(v) a combination of Subsections (7)(b)(i), (ii), (iii), and (iv);

(c) incremental new state revenues generated as individual income taxes under Title 59, Chapter 10, Part 1, Determination and Reporting of Tax Liability and Information, paid by employees of the new digital media project as evidenced by payroll records from the digital media company; or

(d) a combination of Subsections (7)(a), (b), and (c).

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(8) "Payroll company" means a business entity that handles the payroll and becomes the employer of record for the staff, cast, and crew of a motion picture production.

(9) "Refundable tax credit" means a refundable motion picture tax credit authorized under Section 63N-8-103 and claimed under Section 59-7-614.5 or 59-10-1108.

(10) "Restricted account" means the Motion Picture Incentive Account created in Section 63N-8-103.

(11) "Rural production" means a state-approved production in which ~~fa majority~~ at least 75% of the total number of production ~~foccurs~~ days occur within a county of the third, fourth, fifth, or sixth class.

~~(11)~~ (12) "State-approved production" means a production under Subsections (2) and (5) that is:

- (a) approved by the office and ratified by the GO Utah board; and
- (b) produced in the state by a motion picture company.

~~(12)~~ (13) "Tax credit amount" means the amount the office lists as a tax credit on a tax credit certificate for a taxable year.

~~(13)~~ (14) "Tax credit certificate" means a certificate issued by the office that:

- (a) lists the name of the applicant;
- (b) lists the applicant's taxpayer identification number;
- (c) lists the amount of tax credit that the office awards the applicant for the taxable year; and
- (d) may include other information as determined by the office.

Section 2. Section **63N-8-103** is amended to read:

**63N-8-103. Motion Picture Incentive Account created -- Cash rebate incentives -- Refundable tax credit incentives.**

(1) (a) There is created within the General Fund a restricted account known as the Motion Picture Incentive Account, which the office shall use to provide cash rebate incentives for state-approved productions by a motion picture company.

(b) All interest generated from investment of money in the restricted account shall be deposited in the restricted account.

(c) The restricted account shall consist of an annual appropriation by the Legislature.

(d) The office shall:

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- (i) with the advice of the GO Utah board, administer the restricted account; and
- (ii) make payments from the restricted account as required under this section.

(e) The cost of administering the restricted account shall be paid from money in the restricted account.

(2) (a) A motion picture company or digital media company seeking disbursement of an incentive allowed under an agreement with the office shall follow the procedures and requirements of this Subsection (2).

(b) The motion picture company or digital media company shall provide the office with an incentive request form, provided by the office, identifying and documenting the dollars left in the state and new state revenues generated by the motion picture company or digital media company for state-approved production, including any related tax returns by the motion picture company, payroll company, digital media company, or loan-out corporation under Subsection (2)(d).

(c) For a motion picture company, an independent certified public accountant shall:

- (i) review the incentive request form submitted by the motion picture company; and
- (ii) provide a report on the accuracy and validity of the incentive request form,

including the amount of dollars left in the state, in accordance with the agreed upon procedures established by the office by rule.

(d) The motion picture company, digital media company, payroll company, or loan-out corporation shall provide the office with a document that expressly directs and authorizes the State Tax Commission to disclose the entity's tax returns and other information concerning the entity that would otherwise be subject to confidentiality under Section 59-1-403 or Section 6103, Internal Revenue Code, to the office.

(e) The office shall submit the document described in Subsection (2)(d) to the State Tax Commission.

(f) Upon receipt of the document described in Subsection (2)(d), the State Tax Commission shall provide the office with the information requested by the office that the motion picture company, digital media company, payroll company, or loan-out corporation directed or authorized the State Tax Commission to provide to the office in the document described in Subsection (2)(d).

(g) Subject to Subsection (3), for a motion picture company the office shall:

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(i) review the incentive request form from the motion picture company described in Subsection (2)(b) and verify that the incentive request form was reviewed by an independent certified public accountant as described in Subsection (2)(c); and

(ii) based upon the independent certified public accountant's report under Subsection (2)(c), determine the amount of the incentive that the motion picture company is entitled to under the motion picture company's agreement with the office.

(h) Subject to Subsection (3), for a digital media company, the office shall:

(i) ensure the digital media project results in new state revenues; and

(ii) based upon review of new state revenues, determine the amount of the incentive that a digital media company is entitled to under the digital media company's agreement with the office.

(i) Subject to Subsection (3), if the incentive is in the form of a cash rebate, the office shall pay the incentive from the restricted account to the motion picture company, notwithstanding Subsections 51-5-3(23)(b) and 63J-1-105(6).

(j) If the incentive is in the form of a refundable tax credit under Section 59-7-614.5 or 59-10-1108, the office shall:

(i) issue a tax credit certificate to the motion picture company or digital media company; and

(ii) provide a digital record of the tax credit certificate to the State Tax Commission.

(k) A motion picture company or digital media company may not claim a motion picture tax credit under Section 59-7-614.5 or 59-10-1108 unless the motion picture company or digital media company has received a tax credit certificate for the claim issued by the office under Subsection (2)(j)(i).

(l) A motion picture company or digital media company may claim a motion picture tax credit on the motion picture company's or the digital media company's tax return for the amount listed on the tax credit certificate issued by the office.

(m) A motion picture company or digital media company that claims a tax credit under Subsection (2)(l) shall retain the tax credit certificate and all supporting documentation in accordance with Subsection 63N-8-104(6).

(3) (a) Subject to Subsections (3)(b) [~~and (c)~~] through (d), the office may issue \$6,793,700 in tax credit certificates under this part in each fiscal year.

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(b) For the fiscal year ending June 30, 2022, the office may issue \$8,393,700 in tax credit certificates under this part.

(c) For a fiscal year beginning on or after July 1, 2022, in addition to the amount of tax credit certificates authorized under Subsection (3)(a), the office may issue \$12,000,000 in tax credit certificates under this part only for rural productions.

(c) ~~(d)~~ If the office does not issue tax credit certificates in a fiscal year totaling the amount authorized under Subsections (3)(a) ~~and (b)~~ through (c), the office may carry over that amount for issuance in subsequent fiscal years.

~~(d) The limitations described in Subsections (3)(a) and (b) do not apply to a tax credit certificate issued for a rural production.~~

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