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**Finance Committee**

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**2SSB 6558**

**Brief Description:** Improving the state of Washington's economic, cultural, and educational standing in the motion picture industry.

**Sponsors:** Senators Brown, Hewitt, Eide, Kohl-Welles, Benson, McAuliffe, Benton, Kline and Keiser.

**Brief Summary of Bill**

- Creates the Approved Motion Picture Competitiveness Program to provide funding assistance for film production related costs in order to improve the state's competitive position in the film production industry.
- Authorizes a Business and Occupation tax credit for contributions to an Approved Motion Picture Competitiveness Program, up to \$1 million per taxpayer per year, subject to a state maximum of \$5 million in total credits.

**Hearing Date:**

**Staff:** Mark Matteson (786-7145).

**Background:**

In 2003, the Washington State Film Office (WSFO) commissioned a study of the economic impacts of film and video productions in Washington. The report concluded that film and video production support 8,033 jobs in the state, and the industry created over \$656 million in additional economic output.

The WSFO is located in the Department of Community, Trade, Economic Development (DCTED). The WSFO works with the Seattle Film Office and 35 film liaisons to assist with film and video location needs. Washington does provide several financial incentives for film and video production. These include: a state and local sales tax exemption on rental of production equipment; state and local sales tax exemptions on the purchase of production services; local and state rental tax exemptions for rental vehicles used in production activities; and sales tax exemption for hotel or motel stays exceeding 30 consecutive days.

**Business and Occupation Tax**

Washington's business and occupation (B&O) tax is the second largest tax source for the state. In Fiscal Year 2004, B&O tax collection totaled over \$2 billion which represented approximately 17 percent of state revenue sources within the State General Fund. Almost all businesses located or

doing business in the state of Washington are subject to the state B&O tax, including corporations, partnerships, sole proprietors and nonprofit organizations.

Washington's B&O tax is calculated on gross income from business activities in the state. There are no deductions from the B&O tax for labor, materials, taxes or other costs of doing business. However, some businesses may qualify for certain exemptions, deductions or credits. Credits are amounts that have been paid to the Department of Revenue (DOR) which are either not due or are granted by the Legislature for a specific purpose. Credits are subtracted from the B&O tax and include the multiple activities tax credit, the high technology B&O tax credit, and the small business B&O tax credit.

### **Summary of Bill:**

An Approved Motion Picture Competitiveness Program is created and will be administered by the DCTED. An Approved Motion Picture Competitiveness Program is a 501(c)(6) nonprofit organized to recommend and award financial assistance for costs associated with motion pictures in the state in order to improve Washington's competitive position. For the purposes of this program, "motion picture" means a recorded audio-visual production intended for distribution to theaters, DVD, video, or the Internet. It also includes one or more episodes of a single television series, including pilots and presentations, or a commercial that exceeds \$250,000 in actual investment. "Motion picture" does not include one or more segments of a newscast or sporting event.

The DCTED must adopt criteria by which an Approved Motion Picture Competitiveness Program will provide funding assistance. In establishing the criteria, the DCTED must consider: the additional income and tax revenue to be retained in the state for general purposes; the creation and retention of family wage jobs which provide health insurance and payments into a retirement plan; the impact of motion picture projects to maximize in-state labor and the use of in-state film production and post-production companies; the impact on local economies and the state's economy as a whole, including multiplier effects; the intangible impact on the state and local communities that comes with motion picture projects; the regional, national and international competitiveness of the motion picture filming industry; the revitalization of the state as a premier venue for motion picture production and national television commercial campaigns; partnerships with the private sector to bolster film production in the state and serve as educational and cultural purposes for its citizens; the vitality of the state's motion picture industry as a necessary and critical factor to promote the state as a premier tourist and cultural destination; and giving preference to additional seasons of television series that have previously qualified.

The Washington Motion Picture Competitiveness Program will be administered by a board of directors (Board). Appointed by the Governor, the eight member Board shall consist of: one representative of the Washington motion picture industry; one representative of Washington's postproduction industry; two representatives of labor unions affiliated with Washington's motion picture production; one representative of Washington's Visitors and Convention Bureaus; one representative of Washington's tourism industry; one representative of the restaurant, hotel and airline industry; and an at-large member who will serve as the Board's chairperson.

The funding provided to Approved Motion Picture Competitiveness Programs must be used for health insurance, payments into a retirement plan, and other costs associated with film production. The funding may also be used for a person to market the tax credit for contributions

to an Approved Motion Picture Competitiveness Program as well as staff and related expenses necessary for the program's administration. The maximum funding assistance from an Approved Motion Competitiveness Program is limited to: 20 percent of total actual investment in the state of at least \$500,000 for a single feature film produced in Washington; 20 percent of total actual investment in the state of at least \$300,000 per television episode produced in Washington; or 20 percent of total actual investment in the state of at least \$250,000 for an infomercial or television commercial associated with a national or regional advertisement campaign produced in Washington.

A credit against the state's B&O tax is allowed for contributions made to a Washington Motion Picture Competitiveness Program. The maximum credit is limited to \$1 million. A statewide cap of \$5 million per fiscal year is imposed and the credits are available on a first-come basis. A person may carry over the amount of the tax credit not taken in a calendar year. Credit may be earned for activity on or after July 1, 2006.

The Joint Legislative Audit and Review committee shall make a recommendation on the effectiveness of the B&O tax credit to the House Finance Committee and the Senate Ways and Means committee in December 2010.

**Appropriation:** None.

**Fiscal Note:** Available.

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