

House Bill 1100 (AS PASSED HOUSE AND SENATE)

By: Representatives Stephens of the 164th, Parrish of the 156th, Shaw of the 176th, Channell of the 116th, and Lewis of the 15th

A BILL TO BE ENTITLED
AN ACT

1 To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated,
2 relating to the imposition, rate, and computation of income tax, so as to revise and change
3 the income tax credit with respect to qualified film, video, or digital productions; to provide
4 for conditions and limitations; to provide for powers, duties, and authority of the state
5 revenue commissioner with respect to the foregoing; to provide an effective date; to provide
6 for applicability; to repeal conflicting laws; and for other purposes.

7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

8 **SECTION 1.**

9 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to the
10 imposition, rate, and computation of income tax, is amended by revising Code Section
11 48-7-40.26, relating to the income tax credit for qualified film, video, or digital production,
12 as follows:

13 "48-7-40.26.

14 (a) This Code section shall be known and may be cited as the 'Georgia Entertainment
15 Industry Investment Act.'

16 (b) As used in this Code section, the term:

17 (1) 'Affiliates' means those entities that are included in the production company's
18 affiliated group as defined in Section 1504(a) of the Internal Revenue Code and all other
19 entities that are directly or indirectly owned 50 percent or more by members of the
20 affiliated group.

21 (2) 'Base investment' means the aggregate funds actually invested and expended by a
22 production company as production expenditures incurred in this state that are directly
23 used in a state certified production or productions.

24 (3) 'Multimarket commercial distribution' means commercial distribution which extends
25 to markets outside the State of Georgia.

1 (4) 'Production company' means a company primarily engaged in qualified production
 2 activities which have been approved by the Department of Economic Development. This
 3 term shall not mean or include any form of business owned, affiliated, or controlled, in
 4 whole or in part, by any company or person which is in default on any tax obligation of
 5 the state, or a loan made by the state or a loan guaranteed by the state.

6 (5) 'Production expenditures' means preproduction, production, and postproduction
 7 expenditures incurred in this state that are directly used in a qualified production activity,
 8 including without limitation the following: set construction and operation; wardrobes,
 9 make-up, accessories, and related services; costs associated with photography and sound
 10 synchronization, lighting, and related services and materials; editing and related services;
 11 rental of facilities and equipment; leasing of vehicles; costs of food and lodging; digital
 12 or tape editing, film processing, transfers of film to tape or digital format, sound mixing,
 13 computer graphics services, special effects services, and animation services; total
 14 aggregate payroll; airfare, if purchased through a Georgia based travel agency or travel
 15 company; insurance costs and bonding, if purchased through a Georgia based insurance
 16 agency; and other direct costs of producing the project in accordance with generally
 17 accepted entertainment industry practices. This term shall not include postproduction
 18 expenditures for marketing and distribution.

19 (6) 'Qualified Georgia promotion' means a qualified promotion of this state approved by
 20 the Department of Economic Development consisting of a:

21 (A) Qualified movie production which includes an approximately five-second long
 22 animated logo that promotes Georgia within its presentation and all promotional trailers
 23 worldwide for the life of the project;

24 (B) Qualified TV production which includes an imbedded five-second long Georgia
 25 promotion during each broadcast half hour worldwide for the life of the project;

26 (C) Qualified music video which includes the Georgia logo at the end of each video
 27 and within online promotions; or

28 (D) Qualified interactive game which includes a 15 second long Georgia advertisement
 29 in units sold and imbedded in online promotions.

30 ~~(6)~~(7) 'Qualified production activities' means the production of new film, video, or digital
 31 projects produced in this state and approved by the Department of Economic
 32 Development, such as feature films, series, pilots, movies for television, commercial
 33 advertisements, music videos, interactive entertainment or sound recording projects used
 34 in feature films, series pilots, or movies for television. Such activities shall include
 35 projects recorded in this state, in whole or in part, in either short or long form, animation
 36 and music, fixed on a delivery system which includes without limitation film, videotape,
 37 computer disc, laser disc, and any element of the digital domain, from which the program

1 is viewed or reproduced, and which is intended for multimarket commercial distribution
 2 via theaters, licensing for exhibition by individual television stations, groups of stations,
 3 networks, cable television stations, public broadcasting stations, corporations, live
 4 venues, the Internet, or any other channel of exhibition. Such term shall not include the
 5 production of television coverage of news and athletic events.

6 ~~(7)~~(8) 'Resident' means an individual as designated pursuant to paragraph (10) of Code
 7 Section 48-7-1, as amended.

8 ~~(8)~~(9) 'State certified production' means a production engaged in qualified production
 9 activities which have been approved by the Department of Economic Development in
 10 accordance with regulations promulgated pursuant to this Code section.

11 ~~(9) 'Tier' means a tier as designated pursuant to Code Section 48-7-40, as amended. In
 12 the event production expenditures will occur in more than one taxable year for a
 13 particular state certified production, the commissioner shall prescribe redesignation
 14 procedures to ensure that the production company can claim credits for such state
 15 certified production in future years without regard to whether or not a particular county
 16 is reclassified in a different tier.~~

17 (10) 'Total aggregate payroll' means the total sum expended by a production company
 18 on salaries paid to employees working within this state in a state certified production or
 19 productions. For purposes of this paragraph:

20 (A) With respect to a single employee, the portion of any salary which exceeds
 21 \$500,000.00 for a single production shall not be included when calculating total
 22 aggregate payroll; and

23 (B) All payments to a single employee and any legal entity in which the employee has
 24 any direct or indirect ownership interest shall be considered as having been paid to the
 25 employee and shall be aggregated regardless of the means of payment or distribution.

26 (c) For any production company and its affiliates that invest in a state certified production
 27 approved by the Department of Economic Development and whose average annual total
 28 production expenditures in this state did not exceed \$30 million for 2002, 2003, and 2004,
 29 there shall be allowed an income tax credit against the tax imposed under this article. The
 30 tax credit under this subsection shall be allowed if the base investment in this state equals
 31 or exceeds \$500,000.00 for qualified production activities and shall be calculated as
 32 follows:

33 (1) The production company shall be allowed a tax credit equal to ~~9~~ 20 percent of the
 34 base investment in this state; and

35 ~~(2) If the base investment in this state is in a tier 1 or tier 2 county, the production
 36 company shall be allowed an additional tax credit equal to 3 percent of such base
 37 investment;~~

1 ~~(3) If Georgia residents are employed in the production, the production company shall~~
 2 ~~be allowed an additional tax credit equal to 3 percent of the total aggregate payroll of~~
 3 ~~Georgia residents, and~~

4 ~~(4) If the base investment in this state is in excess of \$20 million for multiple television~~
 5 ~~projects, the The production company shall be allowed an additional tax credit equal to~~
 6 ~~2 10 percent of such base investment if the qualified production activity includes a~~
 7 ~~qualified Georgia promotion.~~

8 (d) For any production company and its affiliates that invest in a state certified production
 9 approved by the Department of Economic Development and whose average annual total
 10 production expenditures in this state exceeded \$30 million for 2002, 2003, and 2004, there
 11 shall be allowed an income tax credit against the tax imposed under this article. For
 12 purposes of this subsection, the excess base investment in this state is computed by taking
 13 the current year production expenditures in a state certified production and subtracting the
 14 average of the annual total production expenditures for 2002, 2003, and 2004. The tax
 15 credit shall be calculated as follows:

16 (1) If the excess base investment in this state equals or exceeds \$500,000.00, the
 17 production company and its affiliates shall be allowed a tax credit of 9 20 percent of such
 18 excess base investment; and

19 ~~(2) An additional tax credit of 3 percent shall be allowed to the production company and~~
 20 ~~its affiliates that qualify for and claim a credit under paragraph (1) of this subsection but~~
 21 ~~only with respect to that portion of such production company's and affiliate's base~~
 22 ~~investment that is the difference between the production expenditures in a state certified~~
 23 ~~production in a tier 1 or tier 2 county in the current year and the average of the aggregate~~
 24 ~~production expenditures made in those same counties for the years 2002, 2003, and 2004;~~

25 ~~(3) If Georgia residents are employed in the production, the production company and its~~
 26 ~~affiliates shall be allowed an additional tax credit equal to 3 percent of the difference~~
 27 ~~between the total aggregate payroll of Georgia residents, which is includable in the base~~
 28 ~~investment in the current year, and the average of the aggregate payroll of Georgia~~
 29 ~~residents for the years 2002, 2003, and 2004; and~~

30 ~~(4)(2) The If the excess base investment in this state is in excess of \$20 million for~~
 31 ~~multiple television projects, the production company and its affiliates shall be allowed~~
 32 ~~an additional tax credit equal to 2 10 percent of the difference between excess base~~
 33 ~~investment if the qualified production expenditures in a state certified production for~~
 34 ~~multiple television projects in the current year over the average of the production~~
 35 ~~expenditures for multiple television projects for the years 2002, 2003, and 2004 activities~~
 36 ~~include a qualified Georgia promotion.~~

1 (e)(1) Where the amount of such credit or credits exceeds the production company's
2 liability for such taxes in a taxable year, the excess may be taken as a credit against such
3 production company's quarterly or monthly payment under Code Section 48-7-103. Each
4 employee whose employer receives credit against such production company's quarterly
5 or monthly payment under Code Section 48-7-103 shall receive credit against his or her
6 income tax liability under Code Section 48-7-20 for the corresponding taxable year for
7 the full amount which would be credited against such liability prior to the application of
8 the credit provided for in this subsection. Credits against quarterly or monthly payments
9 under Code Section 48-7-103 and credits against liability under Code Section 48-7-20
10 established by this subsection shall not constitute income to the production company.

11 (2) If a production company, or a production company and its affiliates, claim the credit
12 authorized under Code Section 48-7-40, 48-7-40.1, 48-7-40.17, or 48-7-40.18, then the
13 production company, or the production company and its affiliates, will only be allowed
14 to claim the credit authorized under this Code section to the extent that the Georgia
15 resident employees included in the credit calculation authorized under this Code section
16 and taken by the production company, or the production company and its affiliates, on
17 such tax return under this Code section have been permanently excluded from the credit
18 authorized under Code Section 48-7-40, 48-7-40.1, 48-7-40.17, or 48-7-40.18.

19 (f) Any tax credits with respect to a state certified production earned by a production
20 company and previously claimed but not used by such production company against its
21 income tax may be transferred or sold in whole or in part by such production company to
22 another Georgia taxpayer, subject to the following conditions:

23 (1) Such production company may make only a single transfer or sale of tax credits
24 earned in a taxable year; however, the transfer or sale may involve one or more
25 transferees;

26 (2) Such production company shall submit to the Department of Economic Development
27 and to the Department of Revenue a written notification of any transfer or sale of tax
28 credits within 30 days after the transfer or sale of such tax credits. The notification shall
29 include such production company's tax credit balance prior to transfer, the credit
30 certificate number, the remaining balance after transfer, all tax identification numbers for
31 each transferee, the date of transfer, the amount transferred, and any other information
32 required by the Department of Economic Development or the Department of Revenue;

33 (3) Failure to comply with this subsection shall result in the disallowance of the tax
34 credit until the production company is in full compliance;

35 (4) The transfer or sale of this tax credit does not extend the time in which such tax credit
36 can be used. The carry-forward period for tax credit that is transferred or sold shall begin
37 on the date on which the tax credit was originally earned;

1 (5) A transferee shall have only such rights to claim and use the tax credit that were
2 available to such production company at the time of the transfer, except for the use of the
3 credit in paragraph (1) of subsection (e) of this Code section. To the extent that such
4 production company did not have rights to claim or use the tax credit at the time of the
5 transfer, the Department of Revenue shall either disallow the tax credit claimed by the
6 transferee or recapture the tax credit from the transferee. The transferee's recourse is
7 against such production company; and

8 (6) The transferee must acquire the tax credits in this Code section for a minimum of 60
9 percent of the amount of the tax credits so transferred.

10 (g) The credit granted under this Code section shall be subject to the following conditions
11 and limitations:

12 (1) The credit may be taken beginning with the taxable year in which the production
13 company has met the investment requirement. For each year in which such production
14 company either claims or transfers the credit, the production company shall attach a
15 schedule to the production company's Georgia income tax return which will set forth the
16 following information, as a minimum:

17 (A) A description of the qualified production activities, along with the certification
18 from the Department of Economic Development;

19 (B) A detailed listing of the employee names, social security numbers, and Georgia
20 wages when salaries are included in the base investment;

21 (C) The amount of tax credit claimed for the taxable year;

22 (D) Any tax credit previously taken by the production company against Georgia
23 income tax liabilities or the production company's quarterly or monthly payments under
24 Code Section 48-7-103;

25 (E) The amount of tax credit carried over from prior years;

26 (F) The amount of tax credit utilized by the production company in the current taxable
27 year; and

28 (G) The amount of tax credit to be carried over to subsequent tax years;

29 (2) In the initial year in which the production company claims the credit granted in this
30 Code section, the production company shall include in the description of the qualified
31 production activities required by subparagraph (A) of paragraph (1) of this subsection
32 information which demonstrates that the activities included in the base investment or
33 excess base investment equal or exceed \$500,000.00 during such year; and

34 (3) In no event shall the amount of the tax credit under this Code section for a taxable
35 year exceed the production company's income tax liability. Any unused credit amount
36 shall be allowed to be carried forward for five years from the close of the taxable year in

1 which the investment occurred. No such credit shall be allowed the production company
2 against prior years' tax liability.

3 (h) The Department of Economic Development shall determine through the promulgation
4 of rules and regulations what projects qualify for the tax credits authorized under this Code
5 section. Certification shall be submitted to the state revenue commissioner.

6 (i) The state revenue commissioner shall promulgate such rules and regulations as are
7 necessary to implement and administer this Code section.

8 (j) Any production company claiming, transferring, or selling the tax credit shall be
9 required to reimburse the Department of Revenue for any department initiated audits
10 relating to the tax credit. This subsection shall not apply to routine tax audits of a taxpayer
11 which may include the review of the credit provided in this Code section."

12 **SECTION 2.**

13 This Act shall become effective upon its approval by the Governor or upon its becoming law
14 without such approval, and shall be applicable to all taxable years beginning on or after
15 January 1, 2008.

16 **SECTION 3.**

17 All laws and parts of laws in conflict with this Act are repealed.