

HOUSE BILL REPORT

SHB 2042

As Passed House:

March 10, 2009

Title: An act relating to the incentive in the motion picture competitiveness programs.

Brief Description: Concerning the incentive in the motion picture competitiveness programs.

Sponsors: House Committee on Community & Economic Development & Trade (originally sponsored by Representatives Kenney, Parker, Hasegawa, Chase and Ormsby).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 2/16/09, 2/19/09 [DPS].

Floor Activity

Passed House: 3/10/09, 96-0.

Brief Summary of Substitute Bill

- Increases the maximum funding assistance that can be provided to a motion picture production company per project from 20 percent to 30 percent of its total actual investment in the state.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Liias, Orcutt, Parker, Probst and Sullivan.

Staff: Meg Van Schoorl (786-7105)

Background:

The *Motion Picture Competitiveness Program (Program)* was established by the Legislature in 2006 and modified in 2008. The purpose of the Program is to revitalize the state's economic, cultural, and educational standing in the national and international market of motion picture production.

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

The statute authorizes a *non-profit 501 (c) (6) corporation* to receive contributions from businesses for the purpose of providing funding assistance to motion picture production companies for film production costs, including health insurance, payments into a retirement plan, and other associated costs. These contributions may also be used to market the tax credit, and for the Program's administration. An eight-member board of directors is appointed by the Governor to administer the Program. The Department of Community, Trade and Economic Development (DCTED) is responsible for rules that guide the Program and for reporting results to the Legislature.

A *business and occupation (B&O) tax credit* is offered for a business making a contribution to the Program. The maximum B&O tax credit that may be earned by a taxpayer each calendar year is the lesser of \$1 million, or 100 percent of the business contribution. There is a statewide credit cap of \$3.5 million per calendar year. Credits are available on a first-in-time basis. A Joint Legislative Audit and Review Committee study is due in December 2010 on the effectiveness of the B&O tax credit.

Funding assistance to a motion picture production company is predicated on the type of production and the actual amount invested within the state. The maximum funding assistance is 20 percent of the total actual investment when at least \$500,000 is invested for a single feature film, at least \$300,000 is invested for a television episode, or at least \$150,000 is invested for an infomercial or television commercial associated with a national or regional advertisement campaign.

By March 31 each year, a survey is required of motion picture production companies that received funding assistance in the previous calendar year. The survey must include information on the funding amount and its impacts on employment, wages, and benefits. The DCTED can authorize an extension in the reporting deadline, but if a production company fails to submit an annual survey by the given deadline, the production company must repay the funding amount plus interest. The DCTED is responsible for compiling the survey information into summary descriptive statistics and report to the Legislature by September 1 annually.

Summary of Substitute Bill:

Maximum funding assistance to a motion picture production company is limited to 30 percent, rather than 20 percent, of the company's total actual investment in the state, effective immediately.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 19, 2009.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) The Program approved by the Legislature in 2006 is working. Since 2007 we have had 11 feature films, four movies of the week, and seven commercials filmed here.

Greater than \$16 million has been spent within Washington through these film productions. However, 39 states and an immediate neighbor, Vancouver B.C., also have production tax incentives, 17 of which offer a 25 percent - 40 percent return on all production spending. Increasing Washington's funding assistance from 20 to 30 percent would be a game-changer in helping the state attract larger productions. When New Mexico increased its funding percentage from 20 to 25 percent, it saw a 55 percent increase in productions overall and four times the number of movies previously made in state. Both eastern and western Washington had a good year in 2008. The proposed increase in this bill will add to Washington's motion picture competitiveness without sacrificing state revenues or increasing state expenditures.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor; Becky Bogard and Amy Dee, Washington Film Works; Jim Hedrick, Greater Spokane Incorporated; and Bob Riggs, International Alliance of Technical Stage Employees Local 488.

Persons Signed In To Testify But Not Testifying: (In support) Craig Schafer, Seattle's Convention and Visitors Bureau.