

SENATE BILL REPORT

SHB 2042

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, March 19, 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: Passed House: 3/10/09, 96-0.

Committee Activity: Labor, Commerce & Consumer Protection: 3/19/09 [DP, DNP].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Holmquist, Ranking Minority Member; Franklin, King and Kline.

Minority Report: Do not pass.

Signed by Senator Honeyford.

Staff: Ingrid Mungia (786-7423)

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.

The statute authorizes a nonprofit 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.

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.

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 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.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The Program was approved by the Legislature in 2006 and it is working. This will allow Washington State to be more competitive with Canada and other states. When movies are made in Washington, they hire people from the state to work on the movie and 66 percent of those jobs during production are full-time jobs. There's a lot of accountability for those that receive this incentive. During this fiscal crisis, it is a good economic incentive that will create jobs and revenue. If we are able to get this bill passed, we will have movies to shoot in the state this summer. This is about putting our workers to work this summer. This will be a good tool to bringing more money to the state and putting people to work. This has been a home-run program in Spokane. With doing a 30 percent grant, instead of 20 percent grants, we can do larger projects.

Persons Testifying: PRO: Representative Kenney, prime sponsor; Amy Dee, Washington Film Works; Jim Hedrick, Spokane Chamber of Commerce/EDC.