

SENATE BILL REPORT

SB 5640

As of January 18, 2022

Title: An act relating to updating the motion picture competitiveness program to enhance funding and encourage productions in rural communities.

Brief Description: Updating the motion picture competitiveness program to enhance funding and encourage productions in rural communities.

Sponsors: Senators Short, Frockt, Conway, Holy, Lovelett, Nguyen, Rolfes, Wagoner and Wilson, L..

Brief History:

Committee Activity: Business, Financial Services & Trade: 1/18/22.

Brief Summary of Bill

- Increases the total amount of Business and Occupation tax credits that may be taken annually for the Motion Picture Competitiveness Program (Program) from \$3.5 million to \$25 million per year.
- Expands Program funding support to rural communities and educational opportunities for students in the arts.
- Requires an annual aggregate of at least \$6.5 million to fund projects in rural communities.
- Exempts certain entities contributing to the Program and receiving a tax credit from certain annual reporting requirements.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Kellee Gunn (786-7429)

Background: Motion Picture Competitiveness Program and Washington Filmworks. The

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

Motion Picture Competitiveness Program (Program) was created by the Legislature in 2002 to help maintain Washington as a competitive location to film motion pictures, television, and commercials. In return for contributing to the Program's incentive fund, a business may receive a credit against their Business and Occupations (B&O) tax liability up to \$750,000 per year. The total amount that may be credited any calendar year for the Program is \$3.5 million.

The Program is overseen by a nonprofit corporation, Washington Filmworks (Filmworks), with a board of nine directors, appointed by the Governor.

The Department of Commerce (Commerce) is responsible for adopting criteria for the Program, along with other rules. Money for the program may only be used for:

- benefits for employees, and other costs associated with film production; and
- operating and administrative costs.

Maximum funding assistance is limited depending on the type of filming, the number of episodes, if in-state spending thresholds are met, and how much of a resident labor force is used.

Reporting Requirements. Those who contribute to the Program are subject to the annual reporting requirement for tax preferences, collected by the Department of Revenue (DOR), and an annual survey by Filmworks, and reported by Commerce. Both reports require employment and wage data, among other information.

Summary of Bill: The total amount of B&O tax credits taken annually is increased to \$25 million.

The program may use funding to support the growth and development of the Washington State film industry in rural communities as well as for educational opportunities for students in the arts.

An annual aggregate of at least \$6.5 million in funding assistance must go to fund projects in rural communities. A rural community has the same meaning as rural county and means a county with a population density of less than 100 persons per square mile or a county smaller than 225 square miles as determined by the Office of Financial Management.

Entities contributing to Filmworks and receiving a tax credit, and not otherwise receiving funding assistance under the program, are exempt from DOR's and Commerce's annual reporting requirements.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: When we think about the arts, we need to think about connecting it to rural Washington. We need to foster that creative community in our rural areas. How can we incentivize this? Allowing rural students to stay in their local areas and create art would be wonderful. I don't care whose bill it is that passes out of committee. If we could think of an enhanced credit, for filming in rural areas, would be great. Funding is a big part of creating the infrastructure for filming. The current law says minimum of six episodes are required for filming, maybe lowering the threshold to one would help pilots and certain projects get off the ground. I am a retired producer and am in support of both bills. However, both bills are too complex to ensure that they bring projects to the state. And there is no guarantee a board member will not benefit from providing funding to projects. How will a production company ensure that funding will go to a rural location? The state needs to build out infrastructure for production companies that are here and those that will come here. As a casting director, I am usually the first one to see if we can fill acting roles with Washington actors. We have a large pool of actors here, and they are one of the valuable assets to have in production. As an executive producer, I wanted to bring a project to Washington, but I was constantly being pulled to other states because of the incentives provided. Please support this bill so we can keep a healthy, thriving film industry here.

Persons Testifying: PRO: Senator Shelly Short, Prime Sponsor; Matt Chan; Nike Imoru, CSA, PhD, Nike Imoru Casting.

Persons Signed In To Testify But Not Testifying: No one.