

HOUSE BILL REPORT

HB 2872

As Reported by House Committee On:
Community & Economic Development & Trade

Title: An act relating to strengthening the tax credit and modifying the governing board of a Washington motion picture competitiveness program.

Brief Description: Strengthening the tax credit and modifying the governing board of a Washington motion picture competitiveness program.

Sponsors: Representatives Kenney, McIntire, Darneille, Lantz and Ormsby.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/23/08, 1/24/08 [DP].

Brief Summary of Bill

- Modifies certain Motion Picture Competitiveness Program provisions including funding assistance eligibility, business and occupation tax credit limits, investment caps, and governing board terms.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass. Signed by 9 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and Sullivan.

Staff: Meg Van Schoorl (786-7105).

Background:

Enacted in 2006, Second Substitute Senate Bill 6558 established the Washington Motion Picture Competitiveness Program (Program) including these key elements:

- A non-profit 501 (c) (6) corporation authorized to receive contributions from businesses for the purpose of providing funding assistance to motion picture production companies for specified film production costs, including health insurance, payments into a retirement plan,

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and other associated costs. Funding may also be used for a person to market the tax credit, and for program administration.

- A business and occupation (B&O) tax credit for businesses making such contributions. The credit is equal to 100 percent of the contributions made to the Program through calendar year 2008, and 90 percent of contributions after that. The maximum credit per calendar year per taxpayer is \$1 million. There is a statewide credit cap of \$3.5 million per calendar year. Credits are available on a first-in-time basis.
- Funding assistance to motion picture production companies based upon the type of production and a prescribed minimum actual investment. The maximum funding assistance is 20 percent of the total actual investment when at least \$500,000 is invested for a single feature film; when at least \$300,000 is invested for a television episode; or when at least \$250,000 is invested for an infomercial or television commercial associated with a national or regional advertisement campaign.
- An 8-member board of directors is appointed by the Governor to administer the Program.
- An annual survey is required of motion picture production companies that receive funding assistance about the impacts on employment, wages, and benefits.
- A Joint Legislative Audit and Review Committee study is due in December 2010 on the effectiveness of the B&O tax credit.

Summary of Bill:

The Program is modified as follows:

- To be eligible for funding assistance, the total actual investment required for an infomercial or television commercial associated with a national or regional advertisement campaign produced in Washington is reduced from the current minimum of \$250,000 to a minimum of \$150,000.
- The maximum B&O tax credit that may be earned by a taxpayer each calendar year is limited to the lesser of \$1 million, or 100 percent of the contribution made by the business. The decrease to 90 percent of the business contribution, scheduled to take effect in 2008 and thereafter, is eliminated.
- The total amount of B&O tax credits available during any calendar year is increased from \$3.5 million to \$10 million.
- The funding assistance cap of \$1 million for a single motion picture production or episodic television project is removed.
- The Governor must appoint board members in 2010 to either two- or four-year staggered terms, as specified by board position. Subsequent terms will be for four years.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) In this first year of operation, Washington Film Works has received 25 applications for funding assistance. We have assisted three feature films, three television movies, and two commercial productions. These eight projects, with production budgets of \$14.5 million, have invested \$5.8 million in qualified in-state spending and provided over 600 jobs to Washington individuals, including over 400 crew jobs. In return, they have received \$1.1 million in funding assistance. Our assistance encourages film production companies to use local workers rather than crews from out-of-state. Having health care coverage is particularly important to production crews who find it difficult to keep such coverage between employment. However, we need to keep enhancing the incentives. Thirty-eight states offer incentives. States such as Louisiana, Connecticut, Utah, and Massachusetts offer incentives that provide them with a competitive advantage compared to Washington. Our neighboring state, Oregon, has incentives that go beyond their lack of state or local sales taxes. Oregon's incentives include a \$5 million cap on tax credits, a 20 percent rebate on all in-state expenditures for goods and services, and a 16.2 percent labor rebate on cast and crew for whom Oregon withholding applies. We need to change Washington's position from being a "fly-over" state en route to Vancouver B.C. to being a film production destination.

(Opposed) None.

Persons Testifying: (In support) Representative Kenney, prime sponsor; Becky Bogard, and Amy Dee, Washington Film Works; Bob Riggs, International Alliance for Theatrical Stage Employees Local 488; and Abby Dylan, Screen Actors Guild/Washington Film Works Board of Directors.

Persons Signed In To Testify But Not Testifying: None.