

HOUSE BILL 926

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Q4

2000 Regular Session
(01r2852)

ENROLLED BILL

-- *Ways and Means/Budget and Taxation* --

Introduced by **Chairman, Ways and Means Committee (Departmental - Dept. Business & Economic Dev.) and Delegates D'Amato, Bartlett, Bohanan, Bozman, Carlson, Conroy, C. Davis, Finifter, Healey, Heller, Howard, Marriott, McKee, Patterson, Phillips, Rosso, Rudolph, and Shriver**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER 432

1 AN ACT concerning

2 **Film Production Activity - Sales and Use Tax Exemption**

3 FOR the purpose of providing an exemption under the sales and use tax for the sale of
4 certain tangible personal property and taxable services used in certain film
5 production activities; authorizing the Department of Business and Economic
6 Development to certify the eligibility of an applicant for the sales and use tax
7 exemption; requiring the Department *and the Comptroller jointly* to adopt
8 certain regulations; requiring the Department of Business and Economic
9 Development to conduct a study and report to the General Assembly on the
10 effect of this tax credit and the potential economic effect of a certain income tax
11 credit on the film and video production industry in the State and on the actual
12 effect of similar credits enacted in other states; defining certain terms; and
13 generally relating to sales and use tax exemptions for film production activities.

14 BY adding to

1 Article - Tax - General
2 Section 11-226
3 Annotated Code of Maryland
4 (1997 Replacement Volume and 1999 Supplement)

5 BY adding to
6 Article 83A - Department of Business and Economic Development
7 Section 4-501 to be under the new subtitle "Subtitle 5. Film Production Activity
8 Tax Exemptions"
9 Annotated Code of Maryland
10 (1998 Replacement Volume and 1999 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
12 MARYLAND, That the Laws of Maryland read as follows:

13 **Article - Tax - General**

14 11-226.

15 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
16 INDICATED.

17 (2) (I) "FILM PRODUCTION ACTIVITY" MEANS THE PRODUCTION OR
18 POSTPRODUCTION OF FILM OR VIDEO PROJECTS INCLUDING FEATURE FILMS,
19 TELEVISION PROJECTS, COMMERCIALS, CORPORATE FILMS, INFOMERCIALS, MUSIC
20 VIDEOS, OR OTHER PROJECTS FOR WHICH THE PRODUCER OR PRODUCTION
21 COMPANY WILL BE COMPENSATED, AND WHICH ARE INTENDED FOR NATIONWIDE
22 COMMERCIAL DISTRIBUTION.

23 (II) "FILM PRODUCTION ACTIVITY" INCLUDES THE PRODUCTION OR
24 POSTPRODUCTION OF DIGITAL, ANIMATION, AND MULTIMEDIA PROJECTS.

25 (III) "FILM PRODUCTION ACTIVITY" DOES NOT INCLUDE:

26 1. PRODUCTION OR POSTPRODUCTION OF STUDENT FILMS
27 OR NONCOMMERCIAL PERSONAL VIDEOS; OR

28 2. ANY ACTIVITY NOT NECESSARY TO AND UNDERTAKEN
29 DIRECTLY AND EXCLUSIVELY FOR THE MAKING OF A MASTER FILM, TAPE, OR IMAGE.

30 (3) "TANGIBLE PERSONAL PROPERTY OR A TAXABLE SERVICE USED
31 DIRECTLY IN CONNECTION WITH A FILM PRODUCTION ACTIVITY" INCLUDES:

32 (I) CAMERA EQUIPMENT AND SUPPLIES;

33 (II) FILM AND TAPE;

34 (III) LIGHTING AND STAGE EQUIPMENT AND SUPPLIES;

- 1 (IV) SOUND EQUIPMENT AND SUPPLIES;
- 2 (V) RECORDING EQUIPMENT AND SUPPLIES;
- 3 (VI) COSTUMES, WARDROBES, AND MATERIALS TO CONSTRUCT
4 THEM;
- 5 (VII) PROPS, SCENERY, AND MATERIALS TO CONSTRUCT THEM;
- 6 (VIII) DESIGN SUPPLIES AND EQUIPMENT;
- 7 (IX) DRAFTING SUPPLIES AND EQUIPMENT;
- 8 (X) SPECIAL EFFECTS SUPPLIES AND EQUIPMENT;
- 9 ~~(XI)~~ HOTEL ROOMS AND LODGING;
- 10 ~~(XII)~~ (XI) ~~MOTOR VEHICLES~~ SHORT-TERM VEHICLE RENTALS; AND
- 11 ~~(XIII)~~ (XII) FABRICATION, PRINTING, OR PRODUCTION OF SCRIPTS,
12 STORYBOARDS, COSTUMES, WARDROBES, PROPS, SCENERY, OR SPECIAL EFFECTS.

13 (B) THE SALES AND USE TAX DOES NOT APPLY TO A SALE OF TANGIBLE
14 PERSONAL PROPERTY OR A TAXABLE SERVICE USED DIRECTLY IN CONNECTION
15 WITH A FILM PRODUCTION ACTIVITY BY A FILM PRODUCER OR PRODUCTION
16 COMPANY CERTIFIED BY THE DEPARTMENT OF BUSINESS AND ECONOMIC
17 DEVELOPMENT UNDER ARTICLE 83A, § 4-501 OF THE CODE.

18 **Article 83A - Department of Business and Economic Development**

19 SUBTITLE 5. FILM PRODUCTION ACTIVITY TAX EXEMPTIONS.
20 4-501.

21 (A) IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT THE TAX EXEMPTION
22 PROVIDED UNDER § 11-226 OF THE TAX - GENERAL ARTICLE IS FOR THE PURPOSE OF
23 INCREASING THE FILM PRODUCTION ACTIVITY CARRIED OUT IN THE STATE,
24 BRINGING ECONOMIC BENEFITS TO THE CITIZENS OF THE STATE AND GENERATING
25 INCREASED EMPLOYMENT OPPORTUNITIES IN THE STATE.

26 (B) TO ENSURE THAT THE TAX EXEMPTION IS GRANTED FOR A FILM
27 PRODUCTION ACTIVITY, A ~~PERSON SEEKING~~ FILM PRODUCER OR A PRODUCTION
28 COMPANY SEEKING ELIGIBILITY FOR THE EXEMPTION MUST FIRST APPLY FOR AND
29 RECEIVE FROM THE DEPARTMENT A CERTIFICATION OF ELIGIBILITY FOR THE
30 EXEMPTION.

31 (C) THE DEPARTMENT AND THE COMPTROLLER JOINTLY SHALL ADOPT
32 REGULATIONS DEFINING WITH GREATER SPECIFICITY FOR PURPOSES OF THE SALES
33 AND USE TAX EXEMPTION UNDER § 11-226 OF THE TAX - GENERAL ARTICLE WHAT
34 CONSTITUTES A FILM PRODUCTION ACTIVITY AND WHAT CONSTITUTES TANGIBLE

1 PERSONAL PROPERTY AND TAXABLE SERVICES USED DIRECTLY IN CONNECTION
2 WITH A FILM PRODUCTION ACTIVITY.

3 SECTION 2. AND BE IT FURTHER ENACTED, That the Department of
4 Business and Economic Development shall conduct a study and report to the General
5 Assembly on or before December 1, 2001, in accordance with § 2-1246 of the State
6 Government Article, on:

7 (1) the preliminary economic impact of the sales and use tax exemption
8 created under this Act;

9 (2) the potential economic impact on the State's film and video
10 production industry of allowing a credit against the State income tax for a percentage
11 of the wages paid for Maryland film and video productions; and

12 (3) the actual impact experienced in other states in which similar income
13 tax credits have been enacted.

14 ~~SECTION 3.~~ AND BE IT FURTHER ENACTED, That this Act shall take
15 effect July 1, 2000.