

SENATE BILL 192

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2000 Regular Session
0lr0037
CF 0lr2852

By: **Chairman, Budget and Taxation Committee (Departmental - Dept.
Business & Economic Dev.)**

Introduced and read first time: January 24, 2000
Assigned to: Budget and Taxation

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: April 2, 2000

CHAPTER _____

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
15 Article - Tax - General
16 Section 11-226
17 Annotated Code of Maryland
18 (1997 Replacement Volume and 1999 Supplement)

19 BY adding to
20 Article 83A - Department of Business and Economic Development
21 Section 4-501 to be under the new subtitle "Subtitle 5. Film Production Activity
22 Tax Exemptions"
23 Annotated Code of Maryland
24 (1998 Replacement Volume and 1999 Supplement)

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

3 **Article - Tax - General**

4 11-226.

5 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
6 INDICATED.

7 (2) (I) "FILM PRODUCTION ACTIVITY" MEANS THE PRODUCTION OR
8 POSTPRODUCTION OF FILM OR VIDEO PROJECTS INCLUDING FEATURE FILMS,
9 TELEVISION PROJECTS, COMMERCIALS, CORPORATE FILMS, INFOMERCIALS, MUSIC
10 VIDEOS, OR OTHER PROJECTS FOR WHICH THE PRODUCER OR PRODUCTION
11 COMPANY WILL BE COMPENSATED, AND WHICH ARE INTENDED FOR NATIONWIDE
12 COMMERCIAL DISTRIBUTION.

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

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

16 1. PRODUCTION OR POSTPRODUCTION OF STUDENT FILMS
17 OR NONCOMMERCIAL PERSONAL VIDEOS; OR

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

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

22 (I) CAMERA EQUIPMENT AND SUPPLIES;

23 (II) FILM AND TAPE;

24 (III) LIGHTING AND STAGE EQUIPMENT AND SUPPLIES;

25 (IV) SOUND EQUIPMENT AND SUPPLIES;

26 (V) RECORDING EQUIPMENT AND SUPPLIES;

27 (VI) COSTUMES, WARDROBES, AND MATERIALS TO CONSTRUCT
28 THEM;

29 (VII) PROPS, SCENERY, AND MATERIALS TO CONSTRUCT THEM;

30 (VIII) DESIGN SUPPLIES AND EQUIPMENT;

31 (IX) DRAFTING SUPPLIES AND EQUIPMENT;

32 (X) SPECIAL EFFECTS SUPPLIES AND EQUIPMENT;

1 ~~(XI)~~ HOTEL ROOMS AND LODGING;

2 ~~(XII)~~ MOTOR VEHICLES; AND

3 (XI) SHORT-TERM VEHICLE RENTALS; AND

4 ~~(XIII)~~ (XII) FABRICATION, PRINTING, OR PRODUCTION OF SCRIPTS,
5 STORYBOARDS, COSTUMES, WARDROBES, PROPS, SCENERY, OR SPECIAL EFFECTS.

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

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

12 SUBTITLE 5. FILM PRODUCTION ACTIVITY TAX EXEMPTIONS.

13 4-501.

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

19 (B) TO ENSURE THAT THE TAX EXEMPTION IS GRANTED FOR A FILM
20 PRODUCTION ACTIVITY, A ~~PERSON SEEKING FILM PRODUCER, OR A PRODUCTION~~
21 COMPANY SEEKING ELIGIBILITY FOR THE EXEMPTION MUST FIRST APPLY FOR AND
22 RECEIVE FROM THE DEPARTMENT A CERTIFICATION OF ELIGIBILITY FOR THE
23 EXEMPTION.

24 (C) THE DEPARTMENT AND THE COMPTROLLER JOINTLY SHALL ADOPT
25 REGULATIONS DEFINING WITH GREATER SPECIFICITY FOR PURPOSES OF THE SALES
26 AND USE TAX EXEMPTION UNDER § 11-226 OF THE TAX - GENERAL ARTICLE WHAT
27 CONSTITUTES A FILM PRODUCTION ACTIVITY AND WHAT CONSTITUTES TANGIBLE
28 PERSONAL PROPERTY AND TAXABLE SERVICES USED DIRECTLY IN CONNECTION
29 WITH A FILM PRODUCTION ACTIVITY.

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

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

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

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

6 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take
7 effect July 1, 2000.