This bill requires the Department of Commerce to reserve 20% of all film production activity tax credits in each fiscal year for film production activities in Allegany, Caroline, Dorchester, Garrett, Kent, Prince George’s, Somerset, Washington, and Wicomico counties. The bill takes effect July 1, 2022.

Fiscal Summary

State Effect: None. The requirement in the bill is not expected to alter the fiscal impact of the program beyond that under current law.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A qualified film production entity that meets specified requirements and is approved by Commerce may receive a refundable tax credit equal to 25% of qualified film production costs incurred in the State. For a television series, the value of the credit is increased to 27%. The Secretary of Commerce may not award in the aggregate more than $10 million for a single film production activity. This limitation applies to each season of a television series.

In order to qualify for the tax credit, the estimated total direct costs incurred in the State must exceed $250,000. A qualified small or independent film entity with estimated total direct costs of at least $25,000 may receive a refundable income tax credit of up to 25%,
with a maximum tax credit amount per project of $125,000. Commerce must award 10% of all tax credits in each fiscal year to qualified small or independent film entities.

Any salary, wages, or other compensation for personal services of an individual who receives more than $500,000 in salary, wages, or other compensation for personal services in connection with any film production activity may not be included in total direct costs. Total direct costs do not include any salary, wages, or other compensation for writers, directors, or producers.

The film production entity must notify Commerce of its intent to seek the tax credit before the production activity begins. A film production entity is also required to submit an application containing specified information, including the project’s estimated total budget and the anticipated dates for carrying out the major elements of the film production activity.

“Film production activity” is defined as the production of a film or video product that is intended for nationwide commercial distribution and includes a feature film, television project, commercial, corporate film, or music video. The Secretary of Commerce may award in each fiscal year a maximum of $12 million in tax credits.

**State Fiscal Effect:** The bill requires Commerce to reserve 20% of all tax credits in each fiscal year for film production activities in specified counties. The requirement will not alter the overall fiscal impact of the tax credit program, since it is expected that, under current law, Commerce will award the maximum authorized amount of credits.

### Additional Information

**Prior Introductions:** None.

**Designated Cross File:** HB 1144 (Delegate Buckel, *et al.*) - Ways and Means.

**Information Source(s):** Department of Commerce; Department of Legislative Services

**Fiscal Note History:** First Reader - February 27, 2022

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