

HB0270/623924/1

BY: Budget and Taxation Committee

AMENDMENTS TO HOUSE BILL 270
(Third Reading File Bill)

AMENDMENT NO. 1

On page 1, strike beginning with “altering” in line 4 down through “year;” in line 5 and substitute “expanding eligibility for the credit against the State income tax for certain film production activities to include documentaries and talk, reality, and game shows; altering the definition of “total direct costs” to include certain compensation for certain individuals; increasing the percentages of total direct costs that qualify for the tax credit;”; in line 7, after “industry;” insert “altering the aggregate amount of tax credit certificates that the Secretary of Commerce may issue each fiscal year;”; strike in their entirety lines 10 through 14, inclusive; and in line 17, strike “10–730(f)” and substitute “10–730”.

AMENDMENT NO. 2

On page 2, after line 3, insert:

“(2) “Department” means the Department of Commerce.

(3) “Digital animation project” means the creation, development, and production of computer-generated animation content for distribution or exhibition to the general public.”;

in line 13, strike “or”; in line 14, after “project” insert “;

7. A DOCUMENTARY; OR

8. A TALK, REALITY, OR GAME SHOW”;

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strike beginning with “a” in line 20 down through “6.” in line 21; and in lines 22, 23, and 24, strike “7.”, “8.”, and “9.”, respectively, and substitute “6.”, “7.”, and “8.”, respectively.

On page 3, in line 1, strike “10.” and substitute “9.”; after line 1, insert:

“(5) “Maryland small or independent film entity” means a qualified film production entity that:

(i) has been incorporated in Maryland for at least 3 months;

(ii) is independently owned and operated;

(iii) is not a subsidiary of another entity;

(iv) is not dominant in its field of operation;

(v) employs 25 or fewer full-time employees; and

(vi) employs Maryland residents as at least 40% of its workforce in the film production activity.

(6) “Pornography” means any production for which records are required to be maintained under § 2257 of Title 18, U.S.C., with respect to any performer in such production engaging in sexually explicit conduct.”;

after line 5, insert:

“(8) “Secretary” means the Secretary of Commerce.

(9) “Television series” means a group of program episodes intended for television broadcast or transmission with a common series title, with or without a

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predetermined number of episodes, and shall include a miniseries and a pilot episode produced for an intended television series.

(10) (i) “Total direct costs”, with respect to a film production activity, means the total costs incurred in the State that are necessary to carry out the film production activity.

(ii) “Total direct costs” includes costs incurred for:

1. employee wages and benefits;

2. fees for services;

3. acquiring or leasing property; [and]

4. **SALARIES, WAGES, OR OTHER COMPENSATION FOR WRITERS, DIRECTORS, OR PRODUCERS; AND**

[4.] 5. any other expense necessary to carry out a film production activity, including costs associated with:

A. set construction and operation;

B. wardrobe, makeup, and related services;

C. photography and sound synchronization, lighting, and related services and materials;

D. editing and related services, including film processing, transfers of film to tape or digital format, sound mixing, computer graphic services, special effects services, and animation services;

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E. salary, wages, and other compensation including related benefits, for work performed in the State, paid to persons employed in the production;

F. rental of facilities in the State and equipment used in the State;

G. leasing of vehicles;

H. food and lodging;

I. music, if performed, composed, or recorded by a Maryland musician or published by a person or company domiciled in Maryland;

J. travel expenses incurred to bring persons employed, either directly or indirectly, in the production of the project to Maryland, but not including expenses of these persons departing from Maryland; and

K. legal and accounting services performed by attorneys or accountants licensed in Maryland.

(iii) “Total direct costs” does not include any salary, wages, or other compensation for[:

1.] 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[; or

2. writers, directors, or producers].”.

after line 12, insert:

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“(c) (1) Before beginning a film production activity, a film production entity shall submit to the Department an application to qualify as a film production entity.

(2) The application shall describe the anticipated film production activity, including:

(i) the projected total budget;

(ii) the estimated number of Maryland resident and out-of-state employees and total wages to be paid; and

(iii) the anticipated dates for carrying out the major elements of the film production activity.

(3) Except as provided in subsection (h) of this section, to qualify as a film production entity, the estimated total direct costs incurred in the State must exceed \$250,000.

(4) The application shall include any other information required by the Secretary.

(5) For a film production entity with total direct costs that exceed \$250,000, the Secretary may require the information provided in an application to be verified by an independent auditor selected and paid for by the film production entity seeking certification.

(6) The Secretary shall:

(i) determine if the film production entity qualifies for the credit under this section; and

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(ii) notify the Comptroller of the estimated amount of total direct costs and the taxable year the credit will be claimed.

(d) (1) After completion of the film production activity, a qualified film production entity shall apply to the Department for a tax credit certificate.

(2) The application shall be on a form required by the Secretary and shall include:

(i) proof of the total direct costs that qualify for the tax credit;
and

(ii) the number of employees hired and wages paid.

(3) Subject to subsections (f) and (h) of this section, the Secretary shall determine the total direct costs that qualify for the tax credit and issue a tax credit certificate for:

(i) except as provided in item (ii) of this paragraph, ~~[25%]~~ **28%** of the total direct costs that qualify for the tax credit; and

(ii) for a television series, ~~[27%]~~ **30%** of the total direct costs that qualify for the tax credit.

(e) In accordance with § 2.5-109 of the Economic Development Article, the Department shall submit a report on film production activity in the State and the economic benefits to the State resulting from film production activity during the reporting period.”;

in line 20, strike “**EACH OF**”; in line 23, strike “**EACH OF**”; in the same line, strike “**YEARS**” and substitute “**YEAR**”; in the same line, strike “**THROUGH 2026**”; in line 24,

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strike “AND”; and in line 25, after “(VIII)” insert “FOR FISCAL YEAR 2025, \$17,500,000;

(IX) FOR FISCAL YEAR 2026, \$20,000,000; AND

(X)”.

On page 4, after line 11, insert:

“(g) (1) Except as provided in paragraph (2) of this subsection, a qualified film production entity that receives a tax credit certificate under this section for a film production activity shall include:

(i) for a feature film project, a 5-second long static or animated logo that promotes the State in the end credits before the below-the-line crew crawl for the life of the project and a link to the State’s website on the project’s website;

(ii) for a television series project, an embedded 5-second long static or animated logo that promotes the State during each broadcast worldwide for the life of the project and a link to the State’s website on the project’s website; or

(iii) for any other project, the State logo at the end of each project and in online promotions.

(2) In lieu of including a State logo as required under paragraph (1) of this subsection, the qualified film production entity may offer alternative marketing opportunities to be evaluated by the Department to ensure that those opportunities offer equal or greater promotional value to the State.

(h) (1) For a Maryland small or independent film entity to qualify as a film production entity:

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(i) the estimated total direct costs incurred in the State shall exceed \$25,000; and

(ii) at least 50% of the filming of the film production activity must occur within the State.

(2) The Secretary shall determine the total direct costs that qualify for the tax credit and issue a tax credit certificate to a Maryland small or independent film entity for [25%] 28% of the total direct costs that qualify for the tax credit, not to exceed \$125,000.

(i) The Department and the Comptroller jointly shall adopt regulations to carry out the provisions of this section and to specify criteria and procedures for the application for, approval of, and monitoring of continuing eligibility for the tax credit under this section.”.

On page 5, in line 4, strike “and”; and in line 7, after “broadly” insert “; and”

7. one representative of organized labor in the entertainment industry”.

On page 6, after line 32, insert:

“(2) recommendations regarding the expansion of eligibility for film production incentives, including with respect to live to tape events, and the potential economic impact from that expansion;”.

On page 7, in lines 1, 4, 7, 9, 11, and 14, strike “(2)”, “(3)”, “(4)”, “(5)”, “(6)”, and “(7)”, respectively, and substitute “(3)”, “(4)”, “(5)”, “(6)”, “(7)”, and “(8)”, respectively; after line 15, insert:

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“SECTION 3. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that the Department of Commerce encourage Maryland-based film entities to apply for the credit authorized under § 10-730 of the Tax – General Article, as enacted by Section 1 of this Act.”;

and in lines 16 and 18, strike “3.” and “4.”, respectively, and substitute “4.” and “5.”, respectively.