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ECONOMIC GROWTH

HOUSE FILE 2582
BY DAVITT

(COMPANION TO LSB 6005SS BY
DOTZLER)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act creating a film promotion program and fund, providing tax
2 credits and exemptions, and including effective and
3 retroactive applicability dates.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 15.391 SHORT TITLE.

2 This part shall be known as the "Film Promotion Program".

3 Sec. 2. NEW SECTION. 15.392 PURPOSE.

4 The purpose of the film promotion program is to assist
5 legitimate film, television, and video producers in the making
6 of film, television, and video projects in the state and to
7 increase the fiscal impact on the state's economy of film,
8 television, and video projects produced in the state.

9 Sec. 3. NEW SECTION. 15.393 FILM PROMOTION PROGRAM.

10 1. The department shall establish and administer a film
11 promotion program that will provide for the registration of
12 projects involving films that are to be shot on location in
13 the state. A film project that is registered under the
14 program is entitled to the assistance provided in subsection

15 2. A fee shall not be charged for registering. The
16 department shall not register a film project unless the
17 department determines that all of the following are met:

18 a. The project is a legitimate effort to produce an entire
19 film, television, or video episode or a film, television, or
20 video segment in the state.

21 b. The film project will have an economic impact on the
22 economy of the state or locality sufficient to justify
23 assistance under the program.

24 c. The film project will further tourism, economic
25 development, and population retention or growth in the state
26 or locality.

27 d. Other criteria established by rule relating to the
28 economic impact and promotional aspects of the film project on
29 the state or locality.

30 2. A film project registered with the department under the
31 program is eligible for the following assistance:

32 a. (1) For tax years beginning on or after January 1,
33 2006, a qualified expenditure tax credit shall be allowed
34 against the taxes imposed in chapter 422, divisions II, III,
35 and V, and in chapter 432, and against the moneys and credits

1 tax imposed in section 533.24, for a portion of a taxpayer's
2 qualified expenditures in a film project registered under the
3 program. The tax credit shall equal twenty-five percent of
4 the qualified expenditures on a film project. An individual
5 may claim a tax credit under this paragraph "a" of a
6 partnership, limited liability company, S corporation, estate,
7 or trust electing to have income taxed directly to the
8 individual. The amount claimed by the individual shall be
9 based upon the pro rata share of the individual's earnings
10 from the partnership, limited liability company, S
11 corporation, estate, or trust. Any tax credit in excess of
12 the taxpayer's liability for the tax year may be credited to
13 the tax liability for the following five years or until
14 depleted, whichever is earlier. A tax credit shall not be
15 carried back to a tax year prior to the tax year in which the
16 taxpayer claims the tax credit. A tax credit shall not be
17 transferable to any other taxpayer.

18 (2) A qualified expenditure by a taxpayer is a payment to
19 an Iowa resident or an Iowa-based business for services
20 directly related to the registered film project.

21 b. For tax years beginning on or after January 1, 2006, an
22 investment tax credit shall be allowed against the taxes
23 imposed in chapter 422, divisions II, III, and V, and in
24 chapter 432, and against the moneys and credits tax imposed in
25 section 533.24, for a portion of a taxpayer's investment in a
26 film project registered under the program. The tax credit
27 shall equal ten percent of the investment in the film project.
28 An individual may claim a tax credit under this paragraph of a
29 partnership, limited liability company, S corporation, estate,
30 or trust electing to have income taxed directly to the
31 individual. The amount claimed by the individual shall be
32 based upon the pro rata share of the individual's earnings
33 from the partnership, limited liability company, S
34 corporation, estate, or trust. Any tax credit in excess of
35 the taxpayer's liability for the tax year may be credited to

1 the tax liability for the following five years or until
2 depleted, whichever is earlier. A tax credit shall not be
3 carried back to a tax year prior to the tax year in which the
4 taxpayer claims the tax credit. A tax credit shall not be
5 transferable to any other taxpayer. A taxpayer shall not
6 claim a tax credit under this paragraph "b" for qualified
7 expenditures for which a tax credit is claimed under paragraph
8 "a".

9 c. The sales and use tax exemptions provided in section
10 423.3, subsection 89, for purchases of tangible personal
11 property or services to be used for the film project in the
12 state.

13 d. A registration fee exemption for a vehicle used in the
14 production of a film pursuant to section 321.105.

15 e. A person producing a film project registered under the
16 program may apply to the department for purposes of being
17 reimbursed for film production costs charged by a local
18 government. Such costs include, but are not limited to, costs
19 for the use of public safety personnel and public equipment.
20 Reimbursement shall be provided from moneys in the film
21 promotion fund created in subsection 4.

22 3. The department shall promote the program and the
23 assistance available under the program on an internet website.

24 4. A film promotion fund is created in the state treasury
25 under the control of the department and consisting of any
26 moneys appropriated by the general assembly and any other
27 moneys available to and obtained or accepted by the department
28 for placement in the fund. Payments of interest, repayments
29 of moneys loaned pursuant to this section, and recaptures of
30 loans shall be deposited in the fund. The fund shall be used
31 to provide financial assistance under the film promotion
32 program. Moneys in the fund are not subject to section 8.33.
33 Notwithstanding section 12C.7, interest or earnings on moneys
34 in the fund shall be credited to the fund.

35 Sec. 4. Section 321.105, Code 2005, is amended by adding

1 the following new unnumbered paragraph:

2 NEW UNNUMBERED PARAGRAPH. A person whose vehicle is used
3 in the production of a film registered under the film
4 promotion program pursuant to section 15.393 is exempt from
5 payment of any registration fee for a period of one-hundred-
6 eighty days. In order to receive the film promotion program
7 exemption, the applicant must submit a certification issued by
8 the department of economic development that the vehicle was
9 used in a film project registered under the program.

10 Sec. 5. NEW SECTION. 422.11M FILM QUALIFIED EXPENDITURE
11 TAX CREDIT.

12 The taxes imposed under this division, less the credits
13 allowed under sections 422.12 and 422.12B, shall be reduced by
14 a qualified expenditure tax credit authorized pursuant to
15 section 15.393, subsection 2, paragraph "a".

16 Sec. 6. NEW SECTION. 422.11N FILM INVESTMENT TAX CREDIT.

17 The taxes imposed under this division, less the credits
18 allowed under sections 422.12 and 422.12B, shall be reduced by
19 an investment tax credit authorized pursuant to section
20 15.393, subsection 2, paragraph "b".

21 Sec. 7. Section 422.33, Code Supplement 2005, is amended
22 by adding the following new subsection:

23 NEW SUBSECTION. 20. The taxes imposed under this division
24 shall be reduced by a qualified expenditure tax credit
25 authorized pursuant to section 15.393, subsection 2, paragraph
26 "a".

27 Sec. 8. Section 422.33, Code Supplement 2005, is amended
28 by adding the following new subsection:

29 NEW SUBSECTION. 21. The taxes imposed under this division
30 shall be reduced by an investment tax credit authorized
31 pursuant to section 15.393, subsection 2, paragraph "b".

32 Sec. 9. Section 422.60, Code Supplement 2005, is amended
33 by adding the following new subsection:

34 NEW SUBSECTION. 11. The taxes imposed under this division
35 shall be reduced by a qualified expenditure tax credit

1 authorized pursuant to section 15.393, subsection 2, paragraph
2 "a".

3 Sec. 10. Section 422.60, Code Supplement 2005, is amended
4 by adding the following new subsection:

5 NEW SUBSECTION. 12. The taxes imposed under this division
6 shall be reduced by an investment tax credit authorized
7 pursuant to section 15.393, subsection 2, paragraph "b".

8 Sec. 11. Section 423.3, Code Supplement 2005, is amended
9 by adding the following new subsection:

10 NEW SUBSECTION. 89. The sales price of the following
11 tangible personal property sold or services furnished to a
12 film production company for the use of a film project
13 registered with the department of economic development
14 pursuant to section 15.393:

- 15 a. Vehicle rentals.
- 16 b. Camera equipment.
- 17 c. Lighting, stage, equipment, and supplies.
- 18 d. Sound equipment and supplies.
- 19 e. Recording equipment and supplies.
- 20 f. Costumes, wardrobe, and construction materials.
- 21 g. Props, scenery, and construction materials.
- 22 h. Film, digital processing, and tape.
- 23 i. Design supplies and equipment.
- 24 j. Special effects supplies and equipment.
- 25 k. Fabrication, printing, or production of scripts.
- 26 l. Storyboards.
- 27 m. Other purchases deemed unique and essential by the
28 department of economic development film office and identified
29 by rule.

30 Sec. 12. NEW SECTION. 432.12H FILM QUALIFIED EXPENDITURE
31 TAX CREDIT.

32 The tax imposed under this chapter shall be reduced by a
33 qualified expenditure tax credit authorized pursuant to
34 section 15.393, subsection 2, paragraph "a".

35 Sec. 13. NEW SECTION. 432.12I FILM INVESTMENT TAX

1 CREDIT.

2 The tax imposed under this chapter shall be reduced by an
3 investment tax credit authorized pursuant to section 15.393,
4 subsection 2, paragraph "b".

5 Sec. 14. Section 533.24, Code Supplement 2005, is amended
6 by adding the following new subsection:

7 NEW SUBSECTION. 8. The moneys and credits tax imposed
8 under this section shall be reduced by a qualified expenditure
9 tax credit authorized pursuant to section 15.393, subsection
10 2, paragraph "a".

11 Sec. 15. Section 533.24, Code Supplement 2005, is amended
12 by adding the following new subsection:

13 NEW SUBSECTION. 9. The moneys and credits tax imposed
14 under this section shall be reduced by an investment tax
15 credit authorized pursuant to section 15.393, subsection 2,
16 paragraph "b".

17 Sec. 16. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
18 This Act, being deemed of immediate importance, takes effect
19 upon enactment and is retroactively applicable to January 1,
20 2006, for tax years beginning on and after that date.

21 EXPLANATION

22 This bill creates a film promotion program and fund,
23 provides for tax credits and exemptions, and includes
24 effective and retroactive applicability dates.

25 The bill requires the department of economic development to
26 establish and administer a film promotion program that will
27 provide for the registration of projects involving films that
28 are to be shot on location in the state. The bill prohibits
29 the department from registering a film project unless the
30 department determines that the film project is a legitimate
31 effort to produce an entire film, television, or video episode
32 or a film, television, or video segment in the state, the film
33 project will have an economic impact on the economy of the
34 state or locality sufficient to justify assistance under the
35 program, the film project will further tourism and population

1 retention or growth in the state or locality, and the film
2 project satisfies any other criteria established by rule by
3 the department. The bill creates a film promotion fund in the
4 state treasury under the control of the department to be used
5 to provide financial assistance under the film promotion
6 program.

7 The bill provides that a film project registered with the
8 department under the program is eligible for the following
9 assistance:

10 1. QUALIFIED EXPENDITURE TAX CREDIT. The bill allows a
11 qualified expenditure tax credit for 25 percent of a
12 taxpayer's qualified expenditures in a film project registered
13 under the program. The tax credit is allowed against personal
14 and corporate income tax liabilities, franchise tax
15 liabilities for financial institutions, insurance premium tax
16 liabilities, and credit union moneys and credits tax
17 liabilities. The bill provides that a qualified expenditure
18 is a payment to an Iowa resident or an Iowa-based business for
19 services directly related to the registered film project. The
20 bill provides that any tax credit in excess of the taxpayer's
21 liability for the tax year may be credited to the tax
22 liability for the following five years or until depleted,
23 whichever is earlier. The bill prohibits a tax credit from
24 being carried back to a tax year prior to the tax year in
25 which the taxpayer claims the tax credit and provides that a
26 tax credit shall not be transferable to any other taxpayer.

27 2. INVESTMENT TAX CREDIT. The bill allows an investment
28 tax credit for 10 percent of a taxpayer's investment in a film
29 project registered under the program. The tax credit is
30 allowed against personal and corporate income tax liabilities,
31 franchise tax liabilities for financial institutions,
32 insurance premium tax liabilities, and credit union moneys and
33 credits tax liabilities. The bill provides that any tax
34 credit in excess of the taxpayer's liability for the tax year
35 may be credited to the tax liability for the following five

1 years or until depleted, whichever is earlier. The bill
2 provides that a tax credit shall not be carried back to a tax
3 year prior to the tax year in which the taxpayer claims the
4 tax credit and shall not be transferable to any other
5 taxpayer. The bill prohibits an investment tax credit from
6 being claimed for qualified expenditures for which a qualified
7 expenditure tax credit is claimed.

8 3. SALES AND USE TAX EXEMPTION. The bill allows a sales
9 and use tax exemption for purchases of certain tangible
10 personal property or services to be used for the film project
11 in the state.

12 4. VEHICLE REGISTRATION FEE EXEMPTION. The bill provides
13 for a registration fee exemption for a vehicle used in the
14 production of a film.

15 5. LOCAL CHARGES REIMBURSEMENT. The bill allows a person
16 producing a film project registered under the program to apply
17 to the department for purposes of being reimbursed for film
18 production costs charged by a local government.

19 The bill takes effect upon enactment and is retroactively
20 applicable to January 1, 2006, for tax years beginning on and
21 after that date.

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