Approved: 2-19-07
Date

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on February 1, 2007 in Room 519-S of the Capitol.

All members were present except:
- Don Hill- excused
- Don Myers- excused
- Robert Olson- excused

Committee staff present:
- Kathie Sparks, Legislative Research Department
- Hank Avila, Legislative Research Department
- Jason Long, Revisor of Statutes Office
- Ann Deitcher, Committee Assistant

Conferees appearing before the committee:
- Kevin Willmott, Associate Professor of Film, KU
- Peter Jasso, State Department of Commerce

A bill was introduced by Representative Flaharty and seconded by Representative Winn that would raise the minimum wage in Kansas to $7.25 per hour. This bill would also tie future increases to the CPI. The motion passed on a voice vote.

The Chair spoke to the Committee of three bills concerning the Silver Haired Legislature. The first was in regard to the long-term care ombudsman, the second would be the use of tobacco settlement funds for health care and the third would use e-commerce taxes for health care for seniors.

The motion by Representative Gordon to accept these three bills to be introduced was seconded by Representative Hayzlett and passed on a voice vote.

The Chair introduced Professor Willmott who addressed the Committee regarding his appointment by Governor Sebelius to chair a Task Force concerning film in the state. (Attachment 1). He talked about his experiences of making movies in Kansas and possible economic benefits and tourism benefits to the State.

Questions and answers followed.

Peter Jasso answered questions of the Committee explaining the incentives offered by states to bring more film industry to Kansas. Copies of the Motion Picture Association of America, Inc. 2007 State-By-State Tax Incentives for the Film Industry was distributed. (Attachment 2).

Representative Huntington made a motion to adopt a bill that would name Little Blue Stem Grass as the official state grass of Kansas. Representative Swanson seconded the motion which passed on a voice vote.

The meeting was adjourned at 4:20 p.m. The next meeting is scheduled for Monday, February 5, 2007.

Testimony
February 1, 2007

House Economic Development Committee

Dear Representatives:

I am honored to speak before your committee again concerning the motion picture industry in the state of Kansas. My name is Kevin Willmott, I am a native of Junction City. I am a filmmaker and Associate Professor of film at the University of Kansas. I have been working as a filmmaker in the state since 1991. I have made three feature films here in Kansas: *Ninth Street, CSA- Confederate States of America* and recently completed shooting *Bunker Hill.* I am presently preparing to shoot two new feature films – *On the Shoulders of Giants* for Kareem Abdul-Jabbar, Spike Lee and Herbie Hancock and this summer we will shoot *Wilt of Kansas* about Wilt Chamberlain's career at Kansas University. All of these films will be shot in Kansas.

As some of you know, Governor Sebelius appointed me to chair a Task Force concerning film in the State. Our charge was to develop short and long term strategies for creating a model for the Kansas Film Industry that is designed to suit Kansas' strengths and challenges.

This is a great time to be a filmmaker in Kansas. We have an increasing number of young filmmakers who are staying in Kansas and making feature films and documentaries. The reputation of our film school at Kansas University continues to grow. Peter Jasso and the film office have done a great job of connecting to the local film community through a series of Film Summits that have energized the film scene in Kansas. Film is growing in Kansas. With that, the Task Force identified three major areas:

1. Incentives
2. Education/Work Force training
3. Film Services restructuring

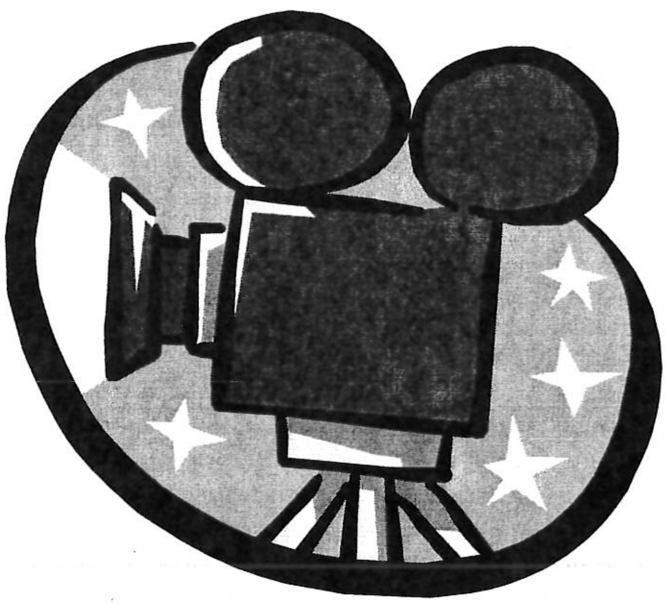
The major piece is incentives. We suggest the passage of a film incentive that allows Kansas to compete with other states. Our incentive will probably be modest in comparison to other states. That is not a problem. If we make the incentive competitive and the tax credit transferable – we can be in the game. The Task Force suggests the targeting of not all Hollywood films, but rather those films that want to shoot in Kansas. *Capote* and *Infamous* are two examples of motion pictures that wanted to shoot in Kansas, but were loss to Canada because of their incentive. We can not expect the passing of incentives to create an influx of Hollywood films coming to Kansas. We can expect the ability to compete for films that have identified Kansas. We want to get the films that should be located here. As well, the tax incentives can be structured so they also help indigenous filmmakers to produce more films, with larger budgets, creating a greater long term economic impact on Kansas.

Economic Development & Tourism
Date: 2-1-07
Attachment # 1

MOTION PICTURE ASSOCIATION OF AMERICA, INC.

2007 STATE-BY-STATE TAX INCENTIVES

FOR THE FILM INDUSTRY



Compiled by Angela Miele
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Economic Development & Tourism
Date: 2-1-09
Attachment # 3-1

STATE	TAX INCENTIVES January 12, 2007
Alabama:	State and local sales and use tax exemption for the purchase or lease of equipment, props, supplies, materials and services used in production. Additionally, no state and local lodgings tax for rooms used by production staff.
Alaska:	No state sales tax. No state individual income tax.
Arizona:	Beginning 1/1/2006 provides a tiered transferable income tax credit for in-state expenditures spending $250,000 - $1million, a 10% credit; between $1million-$3million a 15% credit; over $3million a 20% credit, includes a 5-yr.carryforward provision requires the hiring of at least 25% of full time employees in 2006, 35% in 2007 and 50% in 2008. If the year's allocation ($30M – 06; $40M – 07; $50M – 08; $60M - 09; $70M – 2010 and after) is spent prior to 10/31, Dept. can rollover application to next year's credits. Also beginning 1/1/2006, a motion picture production company is exempt from the transaction privilege tax for purchase of machinery, equipment and other property used directly in the motion picture production, lodging leases or rentals, catered food and construction of in-state buildings or structures.
Arkansas:	Full gross receipts and use tax refund on the purchase of property and services including lodging in connection with production costs. To qualify, a production company must spend at least $500,000 within six months or $1 million within 12 months in connection with the production.
California:	No sales or use tax on production or postproduction services on a motion picture or TV film. No sales and use tax on services generally. Such industry specific services include writing, acting, directing, casting and storyboarding. A partial sales tax exemption (5% except for 2001, when it was 4.75%) on the purchase or lease of postproduction equipment by qualified persons. No sales and use tax on 45% of the charges for sets, including labor to design, construct and strike and no sales tax on the full charge for the rental of personal property. No state hotel tax on occupancy, however, cities or counties that impose a local tax have a tax exemption for occupancies in excess of 30 days.
Colorado:	Effective June 2006, A 10% refund: For a production company that originates the film production in Colorado the 10% refund if the in-state expenditures equal or exceed $100,000; For a production company not originating the film production activities in Colorado the 10% refund if in-state expenditures equal or exceed $1 million. Must spend at least 75% of its production expenditures in state and 75% of the actors and crew must be Colorado residents. Annual statewide cap is $500,000 for 2006-07 and increases with inflation in subsequent years. No sales and use tax on film company services if, in fact, the company is providing a service and not tangible personal property. No hotel Occupancy tax for hotel

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Colorado: Cont.	stays in excess of 30 days.
Connecticut:	Effective 7/1/06, provides a 25% transferable tax credit for qualified motion picture productions incurring at least $50,000 up to $1M. Provides 30% transferable production tax credit on expenditures over $1M. Provides nonrefundable nontransferable 25% wage tax credit on CT residents' wages. Both production and wage tax credits may be carried forward for 3 years. Sales and use tax exemption for the purchase, lease, use storage or other consumption of motion picture, video production or sound recording equipment for use in the state for production activities that become an ingredient of any motion picture, audio tape or recording produced for commercial entertainment. No hotel occupancy tax for hotel stays in excess of 30 days.
Delaware:	No state sales tax.
Florida:	Sales and use tax exemption for the purchase or lease of motion picture, video or other equipment (depreciable equipment with a useful life of at least three years) if used exclusively as an integral part of production activities in the preparation of motion pictures, tapes, TV or productions produced for commercial use or sale. If equipment and personnel used belong to the producer of a qualified motion picture, no tax on fabrication labor. Repair of motion picture equipment is exempt from tax if the equipment is used exclusively as an integral part of production activities. Subject to annual appropriation ($20 million 2006-07), there is a 15% rebate (capped at $2 million per production) of qualified Florida expenditures for productions spending in the aggregate at least $850,000. There are 2 queues one for theatrical or direct-to-video motion pictures, made-for-television movies or television specials, commercials, music videos, etc. The second queue for television pilots, presentations, or television series, etc. Qualification in the first two weeks (beginning 6/13/2005) is based on a production's principal photography start date. All other qualified productions entering into either queue after the initial 2-week openings shall be on a first-come, first-served basis until the appropriation for that fiscal year is exhausted. No state individual income tax.
Georgia:	Sales and use tax exemption for the purchase or lease of a wide range of production and postproduction equipment and services for use in qualified production activities in the state. Beginning with tax years on or after 1/1/2005, transferable income tax credit equal to 9% of all in-state costs for in-state film and TV investments of $500,000 or more. Additional 3% credit on wages (up to $500,000) paid to GA residents and 3% credit for productions in designated distressed communities. An additional 2% credit for TV productions that spend more than $20 million.
Hawaii: **Hawaii:**	Effective 7/1/06, a refundable income tax credit of 15% (for production in counties with a population greater than 700,000) or 20% (for production in counties with a population equal to or less than 700,000), which is deductible from net income tax liability, of the costs incurred in the state in the production of motion picture and television films, and up to 7.25% rebate for the for transient accommodation tax (hotel room tax). Must spend at least $200,000 in Hawaii. Overall cap of $8M. Repealed on 1/1/2016.

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Cont.	
Idaho:	No hotel occupancy tax on hotel stays of 30 days or longer.
Illinois:	Sales and use tax exemption for products of photoprocessing produced for use in motion pictures for public commercial exhibition. Effective 5/1/06, a transferable 20% income tax credit for Illinois production expenditures, plus a 15% credit for Illinois labor expenditures capped at the first $100,00 in wages for each employee. Repealed 1/1/08. The 14.9% hotel tax is reimbursed for stays in excess of 30 days.
Indiana:	State-owned and state university owned property is available free of location fees for virtually all productions. Production related businesses with tax liability in Indiana can qualify for up to a 10% tax credit based on investment in equipment or buildings. No hotel tax on stays of 30 days or longer.
Kansas:	No hotel tax on stays of 28 days or longer.
Kentucky:	Sales and use tax refund for purchases made by a motion picture production company in connection with filming in Kentucky if the company films or produces one or more motion pictures in the state during any 12-month period.
Louisiana:	Effective 1/1/2006, provides a transferable investor tax credit equal to 25% of the in-state investment made if it is in excess of $300,000. Beginning 1/1/2006, the employment tax credit will be transferable and equal to 10% of the salaries in-state residents hired (no salaries in excess of $1million will qualify). (New program includes an alternative option to transfer credits through the Governor's Office.)
Maine:	A wage rebate equal to 10% of non-Maine residents' wages and 12% of Maine residents' wages on qualified productions. Income tax offset for companies investing in Maine productions. Sales and use tax exemption for tangible personal property and services used primarily in production. Revenue Department Ruling in 2004 proclaimed film production a manufacturing process. Hotel occupancy taxes are rebated after 28 consecutive days.
Maryland:	State sales and use tax exemption for the purchase or lease of production or postproduction equipment, services, supplies, props and sets used in the production of motion picture, television, video, commercials and corporate films. No state sales tax for hotel stays in excess of 30 days. Subject to additional appropriation, wage rebate program, up to $12,500 per eligible employee for film and television production activity in the state if in-state spending exceeds

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Maryland: Cont.	$500,000. The maximum rebate granted for any single production is capped at $2 million state capped total rebates of $6.875 million.
Massachusetts:	Beginning 1/1/2006 a transferable employment credit, equal to 20% of Massachusetts sourced income, if an individual's salary is not equal to or greater than $1 million. The incentive also includes a film production tax credit (FPTC) equal to 25% of in-state production costs (not including payroll expenses used to claim the payroll credit) if 50% of the total production costs or 50% of principal photography days occur in the state. The FPTC is capped at $7 million per project. There is a minimum in-state spending requirement of $250,000 in order to qualify for all the production incentives and the payroll and FPTC include a five-year carry forward provision.
Michigan:	Beginning 1/1/2007, a refundable tax credit (essentially a rebate) for motion pictures, television series or pilots and commercials (once they spend a minimum of $200,000 in state). There is a graduated scale for the rebate amount depending on the amount of in-state spend (see the rebate scale in the attached talking points). The funding for the entire program is capped at $7 million annually.
Mississippi:	Effective July 1, 2004. For all feature films, television projects, documentaries, or commercials: a 10% tax credit for payroll of in-state residents; a 10% rebate of all in-state production-related expenditures, excluding payroll; a reduced sales tax (7% to 1½ %) for motion picture equipment (camera, lighting, audio, projection, editing, etc.); a sales tax exemption for the purchase of film, videotape, set building materials, set dressing, props, wardrobe, fabric, make-up, most expendable items.
Missouri:	Provides a transferable/carry forward (5yrs) income tax credit up to 50% of expenditures in the state to a maximum of $1 million in tax credits per project. Productions must spend a minimum of $300,000 in the state. $1.5 million/year available for total credits. No sales tax on hotel stays after 31 days.
Montana	No state sales tax. No business equipment tax on motion picture related vehicles and equipment brought into the state for the first 180 days. State 7% accommodations tax rebate for stays in excess of 30 days. Film and TV productions eligible for a 12% refundable tax credit on up to $50,000 in wages paid to Montana residents. Also a refundable tax credit of 8 percent on their total spending in the state. Credits may also be carried forward for 4 years. Both credits capped at $1 million per production. Expires 1/1/2010.
Nevada:	No corporate or individual Income tax. Low hotel room tax.
New Hampshire:	No state sales tax. Individual Income tax on interest and dividends only.
New Jersey:	Sales tax exemption for all film and video related machinery and equipment as well

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New Jersey: Cont.	as services of installing, repairing and maintaining the equipment, used directly in production and post production of motion pictures, television or commercials. Loan Guarantee Program up to a maximum of $1,500,000 (or an amount no greater than 30% of any loan for the film project that is derived from other sources, whichever is less), to production companies if 70% of the shooting days are in the state and at least 50% of the below-the-line expenses are in state. Beginning 1/12/2006 the state will provide a transferable corporate and income tax credit equal to 20% of in-state production related expenses for films, TV shows and series. Additionally, sixty percent of the total production expenses, excluding post-production costs, must be incurred in the state. The program is capped at $10 million per fiscal year and includes a roll-over provision. If the $10 million is exhausted in any fiscal year, any remaining qualified taxpayers will be first to receive the credit in the subsequent fiscal year. The incentive applies to taxable years beginning on or after July 1, 2005 and sunsets with taxable years beginning after July 1, 2015.
New Mexico:	State sales tax exemption on all production costs including set construction, wardrobe, facility and equipment rental, all production and postproduction services. A 25% refundable income tax credit on in-state film production and postproduction expenditures. Also, guaranteed investments may be considered for up to 100% of the estimated production costs, capped at $15 million per project. Loan structures would have to be "fully and unconditionally guaranteed" by an entity with an investment grade bond rating; and equity structures require presales/distribution. After 30 days, the 4% lodgers tax is waived for hotel guests.
New York:	Comprehensive State, New York City and local sales and use tax exemption for machinery, equipment and services used in production and postproduction activities in the production of feature length films, television programs, music videos and commercials. Film and television and commercial productions receive tax exemptions whether they are produced and delivered electronically or in tangible form. Effective 8/20/04 a 10% corporate/partnership/individual refundable income tax credit for film and television productions (no commercials or music videos) for below-the-line in-state expenses including postproduction (and actors with non-speaking roles) if 75% of the aggregate sound stage work (excluding postproduction) is performed in a NY production facility at least 7,000 square feet. The credit is 50% refundable in the first year and fully refundable after 2 years. If less than $3 million (excluding postproduction) is attributed to the production facility related costs, then 75% of the aggregate shooting days outside of the facility must be in NY in order for NY location costs to qualify for the credit. Effective in 2006, credit is capped at $60 million/calendar year, the cap is a rolling cap; if the cap is exhausted in one year the projects will be eligible in the following year on a first-come first-served basis. An additional 5% refundable tax credit against corporate, partnership, or unincorporated business tax liability, for taxable years beginning on or after January 1, 2006, against New York City tax liability with the same qualification parameters as the state credit. The City's annual credit cap is $30 million. NYC also offers a discount card to productions for the length of their New York City shoots. It provides a minimum 10% discount and other special offers at over 550 local vendors ranging from production services, hotels, car rentals, parking, cultural institutions, banking services and more.
North Carolina:	Effective July 1, 2005, refundable income tax credit equal to 15% of qualifying production expenses for in-state leased or purchased items, must have qualifying in-state expenses of at least $250,000 (effective 1/1/07 no add-back requirement). Limitations: per feature credit cap of $7.5 million and assets purchased in excess

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North Carolina: Cont.	of $25,000, qualifying expense limited to the purchase price less the fair market value of the asset at the completion of the production. No wages for individuals earning in excess of $1 million for a single production. Sales and use tax (1%) rate, on the purchase and rentals to motion picture production firms of cameras, films, set construction materials, as well as chemicals and equipment used to develop and edit film that is used to produce release prints.
Ohio:	No state sales tax on hotel stays in excess of 30 days.
Oklahoma:	Oklahoma Film Enhancement Rebate now funded up to $5 million per year. Provides a rebate of up to 15% of Oklahoma production expenditures for films/ TV/Commercials filming in the state. Minimum budget of $2 million $1.25 million spent in Oklahoma. Must employ residents for at least 50% of B-T-L crew to qualify for full 15% rebate. Rebates of 5% for up to 24 % Oklahomans and 10% for 25 to 49% Oklahomans. Company must provide evidence of a completion bond and evidence of a recognizable domestic or foreign distribution agreement within one (1) year from the end of principal photography. The rebate is payable on or after July 1 following the fiscal year in which documented expenditures were made. The 15% rebate cannot be used in conjunction with the sales tax exemption. Sales tax exemption on sales of tangible, personal property or services to a motion picture or television production company to be used or consumed in connection with a feature or television production. State sales tax rebate on hotel stays after 30 days.
Oregon:	Beginning with expenditures incurred 1/1/05 Oregon Production Investment fund offers a 10% rebate on production expenditures in Oregon (capped at $250K maximum rebate for an individual film and $30,000 per episode for a television series.) Minimum $1 million spending to qualify. ($1 million can be over a season of the series). They can only commit rebates to productions to the extent that there are monies in the fund to cover those rebates. Beginning Fall, 2005, rebates are available for approximately 6.2% of qualified wages to productions. Productions must spend at least $1-million in Oregon to qualify. No state sales tax. Lodging taxes waived for rooms held longer than 30 days. Other local incentives including parking rebates up to $1,000 of parking fees incurred within Multnomah County (Portland area) for every 100-hotel room nights purchased.
Pennsylvania:	A 6% sales and use tax exemption for the purchase or rental of any tangible personal property and services in Pennsylvania used directly in the production or post production of a feature length commercial motion picture distributed to a national audience. Effective 5/2/06, replaced production tax incentive with grant program for in-state production expenditures. Grant is 20% of qualified production expenses, provided 60% of total production expenditures occur in PA. Overall annual cap of $10 million. Administered through Dept. of Community and Economic Development.
Puerto Rico:	Provides Up to a 40% investment tax credit is available for motion picture and television expenditures paid to Puerto Rico Businesses or below the line talent if at least 50% principal photography is in Puerto Rico. The credit is available for projects first approved by the Film Commission once applicants pay ¼ of 1% of the film's budget for a license. Local investors will partner with non-Puerto Rican based companies to help them access the investment tax credit.

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Rhode Island:	For productions filing with RI film office on or after January 1, 2005, provides a 25% motion picture transferable tax credit for all Rhode Island production related expenditures. This also includes salaries for people working on the ground, in R.I. The film/TV/commercials/ video game production must be filmed primarily in the state of Rhode Island and have a minimum budget of $300,000. Additionally there is also a non-transferable investor tax credit for Rhode Island residents who invest in film/TV/commercials or video games filmed primarily in Rhode Island. The investor will receive a 15% tax credit (with a 3 year carryforward) for a production with a budget of $300,000-$5million. If the investment is in a production with a budget over $5million, it is a 25% tax credit (with a 3 year carryforward).
South Carolina:	If you spend $250,000 in-state: available sales and use tax exemption for the purchase of equipment and supplies and an exemption for the State accommodations tax (7%), if you spend $1 million in-state you receive a maximum of 20% rebate for total aggregate payroll for persons (crew, actors, extras) subject to SC income tax withholding (excludes individual salaries of $1 million or more) this is capped at $10 Million per year and up to a 30% rebate for purchases/rentals of certain in-state goods and services.
South Dakota:	Refund for contractors' excise, sales and use taxes paid in connection with films spending over $250,000 (on taxable costs) in the state. The 4% refunds apply to costs incurred and paid after July 1, 2006 - June 30, 2011.
Tennessee:	Sales and use tax refund for out-of-state motion picture companies for goods and services purchased or rented in Tennessee if the company spends at least $500,000 within a 12-month period.
Texas:	Comprehensive sales and use tax exemption for purchased or rented equipment or services used in the production of a motion picture or a video recording for ultimate sale, license or broadcast (including cable broadcast). No sales tax on hotel rooms for stays in excess of 30 days.
Utah:	State sales and use tax exemption for the purchase, lease or rental of machinery and equipment used in the production or postproduction of motion picture, television, music video or commercial productions. Rebate fund for television series and television movies, capped at $100,000 per episode or $750,000 per funding cycle; feature films are capped at $500,000 per production. Transient room tax rebate on hotel stays of 30 days or more.
Vermont:	State sales and use tax exemption for the purchase or lease of goods and services used in the production of films, television programs or commercials. Credit for nonresident income tax for commercial film production if Vermont income tax exceeds income tax rate in the state of residence. No hotel or meal tax after 30 days. Effective 7/1/06, a qualified production with at least $1 million in VT production expenditures can apply for a grant of 10% of qualified production expenditures. Annual overall cap of $1 million.

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Virginia:	Effective July 1, 2006 - $1.2 Million funding for a performance-based incentive will provide a cash rebate at the Governor's discretion, taking into consideration length of filming, job creation, trainees hired, goods and services purchased. The rebate will be paid to qualified production companies at the end of physical production and payment will be issued upon completion of a report of Virginia expenditures. Additional state incentives include an exemption from state sales and use taxes and hotel taxes for stays of 30 days or more in many localities. In most cases, state owned locations are provided free of charge. Based on availability, use of a state owned 35,000 square foot office building (Richmond) for office and production is accessible. The Film Office specializing in assisting in negotiating other free or low cost locations that have historically resulted in significant savings to productions shooting in the state.
Washington:	Effective June 30, 2006, a rebate of 20% of qualified production expenses on a feature film with expenditures in WA of at least $500,000 and $300,000 for a television episode. Per production cap of $1 million. Overall cap of $3.5 million. Sales and use tax exemption for the purchase or rental of production equipment and services used in motion picture or video production or post-production. No sales and use tax on vehicles used in production. No tax on hotel stays in excess of 30 days. No state individual income tax.
Washington DC:	Effective immediately, a grant program funded at $1.6 million annually, to reimburse productions for expenses related to the production of nationally distributed film and television projects that spend a minimum of $500,000 in qualified expenses in a period of five or more days within DC. The grant will not exceed the lesser of 10% of the qualified expenses or 100% of the taxes paid to DC on the qualified expenses.
Wisconsin	Effective for productions after December 31, 2007, refundable individual/corporate income/franchise tax credit equal to 25% of in-state production-related expenditures and a non-refundable wage credit equal to 25% up to the first $25,000 for in-state wages (excluding the 2 highest paid employees). Also provides for a credit equal to sales/use tax paid on purchases of tangible personal property and taxable services directly used in a production. The unused sales/use tax credit may be carried forward for 15 years.
Wyoming:	A list of Wyoming businesses offer production companies filming in Wyoming a 10% discount on production related services including hotels/motels, restaurants, caterers, etc. No tax on hotel stays in excess of 30 days. No state corporate or individual income tax.

For individual state film office websites, visit: Http://www.afci.org