

SESSION OF 2025

SUPPLEMENTAL NOTE ON SENATE BILL NO. 52

As Amended by Senate Committee on
Commerce

Brief*

SB 52, as amended, would enact the Kansas Film and Digital Media Production Development Act (Act). The Act would create a sales tax exemption and nonrefundable income tax credits for qualifying film production activities to incentivize and promote the growth of film and digital media production and industry in Kansas. The bill would also create definitions pursuant to its implementation and specify reporting requirements on relevant tax incentives for the Secretary of Commerce (Secretary).

Kansas Film and Digital Media Industry Development Program

The bill would establish the Kansas Film and Digital Media Industry Development Program (Program) to be administered by the Secretary in consultation with the Kansas Creative Arts Industries Commission. The Secretary would be authorized to approve and to provide tax incentives for eligible projects, to be certified and approved according to requirements prescribed by the bill. In consideration of projects to approve, the Secretary would be required to consider the immediate and potential impact on the growth of the Kansas film and digital media industry.

Eligible projects would include new films, videos, or digital projects that are:

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <https://klrd.gov/>

- Produced in Kansas;
- Fixed on a media format for viewing or reproduction;
- Intended for multi-market commercial distribution; and
- Anticipated to incur qualified expenditures, as defined by the bill, of at least \$50,000.

Eligible projects would not include:

- News or athletic event coverage;
- Local interest programming or advertising;
- Instructional or corporate videos;
- Projects not intended for multimarket commercial distribution;
- Any portion of a project not shot, recorded, or created in Kansas; or
- Any production of obscene material or an obscene performance, as defined by Kansas law.

To apply for eligibility for the Program, production companies would be required to submit an application to the Secretary for approval. In addition to the application, production companies would be required to submit the following to the Secretary prior to commencement of the project, in order to be eligible for the income tax credit and sales tax exemption provided for by the bill:

- Evidence of adequate financing for the project;
- Evidence of general liability insurance of \$1.0 million, or more if required by the Secretary;

- Evidence of workers' compensation coverage in compliance with state law;
- A description of the project, including anticipated:
 - Timeline and completion date;
 - Eligible expenditures, as defined by the bill;
 - Project activities to be conducted in Kansas;
 - Employment of personnel who are Kansas residents;
 - Use of Kansas-based vendors;
 - Construction or contribution of production infrastructure; and
 - Participation in Kansas film and digital media industry development activities; and
- A statement of economic impact of the activities of the project on the region and the state as a whole.

Production companies that enter into an agreement with the Secretary would be considered certified projects, for purposes of the bill, and would be eligible for the income tax credit and sales tax exemption provided for by the bill. The amounts of tax credits, described in more detail below, would be determined based on amounts of qualified expenditures as determined and approved by the Secretary.

The bill would require any agreement entered into between a production company and the Secretary to include provisions for repayment of tax credits or exemptions should the production company violate the Act or any rules and regulations pertaining to the Act.

For purposes of the bill, production and postproduction expenditures would be defined to include costs associated with eligible productions for:

- Various categories of goods and services associated with typical production and postproduction activities, as provided for by the bill;
- Wages or salaries of principal cast members, producers, screenwriters, directors, and crew members;
- Transportation costs;
- Food and lodging;
- Facility rental;
- Insurance costs; and
- Other direct costs associated with generally accepted entertainment industry practice.

For purposes of the bill, production and postproduction expenditures would not include expenditures for:

- Goods, equipment, or vehicles not purchased, rented, or leased in Kansas;
- Production activities or services not conducted in Kansas and services not performed at the filming site unless by a Kansas-based vendor;
- Postproduction activities or services not conducted in Kansas by Kansas-based vendors; or
- Footage shot outside of the state, marketing, story rights, or distribution.

Qualified production and postproduction expenditures, for purposes of the bill, would include eligible production and postproduction expenditures actually made by production companies for certified projects. Qualified production expenditures would not include salaries and wages of principal cast members, producers, screenwriters, or

directors, constituting more than 25 percent of total production expenditures. The Secretary would have discretion to limit specified eligible expenditures or total amounts approved as qualified production or postproduction expenditures.

Production companies entering into an agreement with the Secretary would be required to regularly provide documentation and information as requested by the Secretary to determine qualified expenditures and ensure compliance with the program.

The bill would authorize the Secretary of Revenue and the Secretary of Commerce to adopt rules and regulations to implement its provisions.

Income Tax Credits

The bill would create a nonrefundable income tax credit for tax year 2025 through tax year 2034 for production companies or their affiliates that make qualified expenditures on certified projects.

The credit would be equal to 30 percent of qualified production expenditures or 30 percent of qualified postproduction expenses for projects lacking qualified production expenditures.

Certain production-related activities would be available for additional credit amounts, as approved by the Secretary, as follows:

- Up to 5 percent of qualified expenditures for one of the following:
 - Multi-film deal;
 - Television series;
 - Production for which total expenditures are at least \$50.0 million, one-third of which are

- qualified expenditures approved by the Secretary;
- Contributions to film-related infrastructure or workforce development in Kansas; or
- Up to 5 percent for qualified production expenditures for productions in which at least 50 percent of the the crew or “above-the-line” personnel (principal cast member, producer, screenwriter, or director) are Kansas residents.

An additional credit amount of up to 5 percent of qualified expenditures would be available to a production company that was a previous recipient of an income tax credit provided for under the bill.

Income Tax Credit for Kansas-based Companies

The bill would also create a nonrefundable income tax credit for 25 percent of qualified production expenditures of at least \$25,000 for Kansas-based production companies. For purposes of this credit, eligible projects would include projects not intended for multi-market commercial distribution.

This credit could be received in addition to or in lieu of the general income tax credit created by the bill, as determined by the Secretary.

Income Tax Credit General Provisions

The bill would specify that the income tax credits provided for by the bill would be:

- Applied against the income tax in the tax year such qualified expenditures were made;
- Transferable to any individual or entity subject to income tax in Kansas; and

- Able to be carried forward for up to ten future tax years.

Limits on Tax Credit Amounts

The bill would further specify limits on income tax credit amounts as follows:

- The total amount of income tax credits in aggregate could not exceed \$5.0 million per tax year;
- Ten percent of the aggregate total amount of tax credits per tax year would be required to be designated to Kansas-based production companies;
- The tax credit amount for expenditures on a single individual who is a principal cast member, producer, screenwriter, or director could not exceed \$500,000; and
- The maximum cumulative amount of credits claimed by a production company in a tax year could not exceed 40 percent of the total qualified production expenditures for that tax year.

Tax Credit Administration

The bill would further specify the following regarding the administration of tax credit claims:

- Claims would be filed with the Secretary of Revenue and would be required to be submitted within one year of the last eligible expenditure;
 - The Secretary of Revenue would be required to grant up to a six-month extension at the request of a production company;

- Claims submitted by a production company would be required to be filed as a single claim;
- Claims for closely integrated activities of multiple affiliates could be required by the Secretary of Revenue to be submitted as a single claim;
- Claims for expenditures made by production companies hired by another production company would be required to be filed by the hiring company;
- Claims would be required to include:
 - A copy of the project certification;
 - A determination of qualified expenditures by the Secretary of Commerce; and
 - A report by a Kansas-licensed certified public accountant verifying compliance of expenditures with the bill; and
- Credits claimed by S-corporations, partnerships, or limited liability companies would be distributed proportionally by shareholders, partners, or members.

Sales Tax Exemption

The bill would create a sales tax exemption for expenditures for certified projects made in Kansas on production and postproduction activities, as defined by the bill. The aggregate total amount of purchases exempt from sales tax would be capped at \$1.0 million per year per production company, including contractors of the production company.

The bill would require the Secretary, in considering approval of applications for the sales tax exemption, to prioritize expenditures in rural or economically depressed

urban areas to the extent feasible. The Secretary would be permitted to require that all or a portion of expenditures eligible for the exemption be made with businesses in such areas.

Tax Incentive Reporting

The bill would require the Secretary to provide an annual report to the Senate Committee on Commerce and the House Committee on Commerce, Labor and Economic Development on or before January 31 of each year, beginning in 2026. The report would be required to include:

- Amounts and recipients of tax incentives approved during the prior year;
- Amount of tax incentives anticipated for the current year;
- The companies that have applied for and that have been certified for projects; and
- A description of ongoing and completed projects and their impact on the Kansas film and digital media production industry.

The Secretary of Revenue would be required to provide the Secretary of Commerce with information as necessary for the report.

Sunset on Tax Incentives

The bill would specify no income tax credits or sales tax exemptions would apply or be awarded for expenditures made on or after January 1, 2035.

Background

The bill was introduced by the Senate Committee on Commerce at the request of a representative of Grow Kansas Film.

Senate Committee on Commerce

In the Senate Committee hearing, **proponent** testimony was provided by representatives of Little Government Relations; R3Store Studios US; Wichita State University, School of Digital Arts and Shocker Studio; and two private citizens. The proponents generally stated the bill would aid in the growth of the Kansas film industry and help retain Kansas graduates who are obtaining degrees in film production and related fields. The proponents stated a majority of other states have similar incentive programs, and the bill is necessary to get film productions to occur in Kansas rather than in other states.

Written-only proponent testimony was provided by representatives of Greater Topeka Chamber; Kansas City Chamber; Kansas Department of Commerce; Kansas Economic Development Alliance; Lights On; Pure Imagination Studios, Inc.; Travel Industry Association of Kansas; Visit Kansas City Kansas; and a private citizen.

Written-only neutral testimony was provided by a representative of the League of Kansas Municipalities.

No other testimony was provided.

The Senate Committee amended the bill to:

- Reduce the total amount of income tax credits in aggregate allowed from \$10.0 million to \$5.0 million per tax year, and

- Limit the amount of purchases exempt from sales tax at \$1.0 million per year.

Fiscal Information

According to the fiscal note provided by the Division of the Budget on the bill, as introduced, the Department of Revenue indicates enactment of the bill would decrease State General Fund revenues by \$10.0 million in FY 2026, and in each future fiscal year through FY 2035, assuming the full amount of allowable tax credits would be awarded by the Department of Commerce each fiscal year. The Department of Revenue also indicates it would require a total of \$170,855 from the State General Fund in FY 2026 to implement the bill and modify the automated tax system, with the possibility of additional expenditures if outside contract programmer services are required.

The Department of Transportation indicates enactment of the bill would reduce state revenues by unknown amounts.

The Department of Commerce indicates enactment of the bill would have no fiscal effect on the agency.

A fiscal note on the revised bill was not immediately available.

Any fiscal effect associated with the bill is not reflected in *The FY 2026 Governor's Budget Report*.

Film production; digital media; economic development; tax credit; income tax; sales tax exemption