

# Senate Bill 872

Sponsored by Senator BURDICK, Representatives WILLIAMSON, READ; Senators BATES, ROSENBAUM, STEINER HAYWARD

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Increases amount of maximum total tax credits for certified film production development contributions for fiscal year. Limits amount of expense reimbursement for filmmakers other than local filmmakers. Increases limit on reimbursement for local filmmaker or media production services company.

Applies to fiscal years beginning on or after July 1, 2015.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to certified film production development contributions; creating new provisions; amending  
3 ORS 284.367, 284.368 and 315.514; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 284.367 is amended to read:

6 284.367. (1) The Oregon Production Investment Fund is established in the State Treasury, sepa-  
7 rate and distinct from the General Fund. Interest earned by the Oregon Production Investment Fund  
8 shall be credited to the fund.

9 (2) Moneys in the Oregon Production Investment Fund shall consist of:

10 (a) Amounts donated to the fund;

11 (b) Amounts appropriated or otherwise transferred to the fund by the Legislative Assembly;

12 (c) Other amounts deposited in the fund from any source; and

13 (d) Interest earned by the fund.

14 (3) [*Ninety-five*] **Ninety-two and one-half** percent of moneys in the fund are continuously ap-  
15 propriated to the Oregon Business Development Department for the purposes of making:

16 (a) Reimbursements to filmmakers under ORS 284.368;

17 (b) Payments to a tax credit marketer for marketing services provided by the marketer as de-  
18 scribed in ORS 284.369; and

19 (c) Refunds described in ORS 315.514 (5).

20 (4) [*Five*] **Seven and one-half** percent of moneys in the fund are continuously appropriated to  
21 the department for the purpose of making reimbursements to local filmmakers or local media pro-  
22 duction services companies under ORS 284.368 (3). Total annual reimbursements to local media  
23 production services companies may not exceed [*five*] **seven and one-half** percent of the moneys de-  
24 posited annually in the fund. On July 1 of each fiscal year, any moneys that remain unexpended or  
25 unallocated from the previous fiscal year may be used by the department for the purpose of making  
26 reimbursements to filmmakers under ORS 284.368 (2).

27 (5) Expenditures from the fund are not subject to ORS 291.232 to 291.260.

28 **SECTION 2.** ORS 284.368 is amended to read:

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 284.368. (1) As used in this section:

2 (a) "Actual Oregon expenses" means the costs paid in Oregon for principal photography, pro-  
3 duction or postproduction in Oregon of a film, or for media production services, including but not  
4 limited to the purchase or rental cost of equipment, food, lodging, real property and permits and  
5 payments made for salaries, wages and benefits for work in Oregon.

6 (b) "Film" means a television movie or one or more episodes of a single television series, or a  
7 movie produced for release to theaters, video or the Internet. "Film" does not include the production  
8 of a commercial or one or more segments of a newscast or sporting event.

9 (c) "Filmmaker" means a person who owns a television or film production company.

10 (d) "Local filmmaker" means a person who owns a television or film production company that  
11 has its principal place of business in this state.

12 (e) "Local media production services company" means a media production services company that  
13 has its principal place of business in this state.

14 (f) "Media production services" includes postproduction services and interactive video game  
15 development. "Media production services" does not include the production of a commercial or one  
16 or more segments of a newscast or sporting event.

17 (g) "Media production services company" means a person who is engaged in media production  
18 services.

19 (h) "Resident of this state" has the meaning given that term in ORS 316.027.

20 (2)(a) The Oregon Business Development Department may reimburse a filmmaker for a portion  
21 of the actual Oregon expenses, **up to \$5.5 million**, incurred by the filmmaker.

22 (b) Maximum reimbursement for a single film shall be the total of:

23 (A) 10 percent of payments made for employee salaries, wages and benefits for work done in  
24 Oregon; and

25 (B) 20 percent of all other actual Oregon expenses.

26 (c) To qualify for reimbursement under this subsection, total actual Oregon expenses for the film  
27 must equal or exceed \$1 million.

28 (3)(a) The department may reimburse a local filmmaker or local media production services  
29 company for all or a portion of the actual Oregon expenses, up to [*\$1 million*] **\$5.5 million**, incurred  
30 by the local filmmaker or local media production services company.

31 (b) To qualify for reimbursement under this subsection:

32 (A) Total actual Oregon expenses paid for the film or media production services must be at least  
33 \$75,000;

34 (B) The local filmmaker or local media production services company must have spent 80 percent  
35 of the film's payroll on employees who are residents of this state; and

36 (C) The local filmmaker or local media production services company must have employed or  
37 contracted with a public accountant certified under ORS 673.040 for the provision of payroll ser-  
38 vices.

39 (4) Reimbursement under this section shall be made from moneys credited to or deposited in the  
40 Oregon Production Investment Fund during the biennium in which the actual Oregon expenses were  
41 paid or any prior biennium. A reimbursement may not be made to the extent funds are not available  
42 in the fund to make the reimbursement.

43 (5)(a) Total actual Oregon expenses supporting a claim for reimbursement under this section  
44 must be verified by the Oregon Film and Video Office. The filmmaker or local media production  
45 services company must submit to the office proof of the actual Oregon expenses. The proof must

1 include any documentation that may be required by the office in its discretion to verify the actual  
2 Oregon expenses.

3 (b) The office may charge the filmmaker or local media production services company for costs  
4 reasonably incurred to verify the actual Oregon expenses, including but not limited to the cost for  
5 a review or audit of the supporting documentation by an accountant or auditor. The office may re-  
6 quire the department to deduct the costs incurred by the office in performing its review or audit  
7 from any reimbursement made to the filmmaker or local media production services company under  
8 this section.

9 (c) The office may adopt rules that establish a procedure for the submission and verification of  
10 actual Oregon expenses.

11 **SECTION 3.** ORS 315.514 is amended to read:

12 315.514. (1) A credit against the taxes that are otherwise due under ORS chapter 316 or, if the  
13 taxpayer is a corporation, under ORS chapter 317 or 318, is allowed to a taxpayer for certified film  
14 production development contributions made by the taxpayer during the tax year to the Oregon  
15 Production Investment Fund established under ORS 284.367.

16 (2)(a) The Department of Revenue shall, in cooperation with the Oregon Film and Video Office,  
17 conduct an auction of tax credits under this section. The department may conduct the auction in the  
18 manner that it determines is best suited to maximize the return to the state on the sale of tax credit  
19 certifications and shall announce a reserve bid prior to conducting the auction. The reserve amount  
20 shall be at least 95 percent of the total amount of the tax credit. Moneys necessary to reimburse  
21 the department for the actual costs incurred by the department in administering an auction, not to  
22 exceed 0.25 percent of auction proceeds, are continuously appropriated to the department. The de-  
23 partment shall deposit net receipts from the auction required under this section in the Oregon Pro-  
24 duction Investment Fund.

25 (b) The Oregon Film and Video Office shall adopt rules in order to achieve the following goals:

26 (A) Subject to paragraph (a) of this subsection, generate contributions for which tax credits of  
27 [~~\$10~~] **\$14** million are certified for each fiscal year;

28 (B) Maximize income and excise tax revenues that are retained by the State of Oregon for state  
29 operations; and

30 (C) Provide the necessary financial incentives for taxpayers to make contributions, taking into  
31 consideration the impact of granting a credit upon a taxpayer's federal income tax liability.

32 (3) Contributions made under this section shall be deposited in the Oregon Production Invest-  
33 ment Fund.

34 (4)(a) Upon receipt of a contribution, the Oregon Film and Video Office shall, except as provided  
35 in ORS 315.516, issue to the taxpayer written certification of the amount certified for tax credit  
36 under this section to the extent the amount certified for tax credit, when added to all amounts  
37 previously certified for tax credit under this section, does not exceed [~~\$10~~] **\$14** million for the fiscal  
38 year in which certification is made.

39 (b) The Oregon Film and Video Office and the department are not liable, and a refund of a  
40 contributed amount need not be made, if a taxpayer who has received tax credit certification is  
41 unable to use all or a portion of the tax credit to offset the tax liability of the taxpayer.

42 (5) To the extent the Oregon Film and Video Office does not certify contributed amounts as el-  
43 igible for a tax credit under this section, the taxpayer may request a refund of the amount the tax-  
44 payer contributed, and the office shall refund that amount.

45 (6)(a) Except as provided in paragraph (b) of this subsection, a tax credit claimed under this

1 section may not exceed the tax liability of the taxpayer and may not be carried over to another tax  
2 year.

3 (b) Any tax credit otherwise allowable under this section that is not used by the taxpayer in a  
4 particular tax year may be carried forward and offset against the taxpayer's tax liability for the next  
5 succeeding tax year. Any credit remaining unused in the next succeeding tax year may be carried  
6 forward and used in the second succeeding tax year, and likewise, any credit not used in that second  
7 succeeding tax year may be carried forward and used in the third succeeding tax year but may not  
8 be carried forward for any tax year thereafter.

9 (c) A taxpayer is not eligible for a tax credit under this section if the first tax year for which  
10 the credit would otherwise be allowed begins on or after January 1, 2018.

11 (7) If a tax credit is claimed under this section by a nonresident or part-year resident taxpayer,  
12 the amount shall be allowed without proration under ORS 316.117.

13 (8) If the amount of contribution for which a tax credit certification is made is allowed as a  
14 deduction for federal tax purposes, the amount of the contribution shall be added to federal taxable  
15 income for Oregon tax purposes.

16 **SECTION 4. The amendments to ORS 284.367, 284.368 and 315.514 by sections 1 to 3 of this**  
17 **2015 Act apply to fiscal years beginning on or after July 1, 2015.**

18 **SECTION 5. This 2015 Act takes effect on the 91st day after the date on which the 2015**  
19 **regular session of the Seventy-eighth Legislative Assembly adjourns sine die.**

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