# House of Representatives

General Assembly

**File No. 747**

*January Session, 2023*

House Bill No. 6929

*House of Representatives, May 8, 2023*

The Committee on Finance, Revenue and Bonding reported through REP. HORN of the 64th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## *AN ACT CONCERNING THE FILM AND DIGITAL MEDIA PRODUCTION TAX CREDITS.*

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 12-217jj of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2024*):

(a) As used in this section:

(1) "Commissioner" means the Commissioner of Revenue Services.

(2) "Department" means the Department of Economic and Community Development.

(3) (A) "Qualified production" means entertainment content created in whole or in part within the state, including motion pictures, except as otherwise provided in this subparagraph; documentaries; long-form, specials, mini-series, series, sound recordings, videos and music videos and interstitials television programming; interactive television; relocated television production; interactive games; videogames;

commercials; any format of digital media, including an interactive web site, created for distribution or exhibition to the general public; and any trailer, pilot, video teaser or demo created primarily to stimulate the sale, marketing, promotion or exploitation of future investment in either a product or a qualified production via any means and media in any digital media format, film or videotape, provided such program meets all the underlying criteria of a qualified production. For state fiscal years ending on or after June 30, 2014, "qualified production" shall not include a motion picture that has not been designated as a state-certified qualified production prior to July 1, 2013, and no tax credit voucher for such motion picture may be issued for such motion picture, except, for state fiscal years ending on or after June 30, 2015, "qualified production" shall include a motion picture for which twenty-five per cent or more of the principal photography shooting days are in this state at a facility that receives not less than twenty-five million dollars in private investment and opens for business on or after July 1, 2013, and a tax credit voucher may be issued for such motion picture.

(B) "Qualified production" shall not include any ongoing television program created primarily as news, weather or financial market reports; a production featuring current events, other than a relocated television production, sporting events, an awards show or other gala event; a production whose sole purpose is fundraising; a long-form production that primarily markets a product or service; a production used for corporate training or in-house corporate advertising or other similar productions; or any production for which records are required to be maintained under 18 USC 2257, as amended from time to time, with respect to sexually explicit content.

(4) "Eligible production company" means a corporation, partnership, limited liability company, or other business entity engaged in the business of producing qualified productions on a one-time or ongoing basis, and qualified by the Secretary of the State to engage in business in the state.

(5) "Production expenses or costs" means all expenditures clearly and

demonstrably incurred in the state in the preproduction, production or postproduction costs of a qualified production, including:

(A) Expenditures incurred in the state in the form of either compensation or purchases including production work, production equipment not eligible for the infrastructure tax credit provided in section 12-217kk, production software, postproduction work, postproduction equipment, postproduction software, set design, set construction, props, lighting, wardrobe, makeup, makeup accessories, special effects, visual effects, audio effects, film processing, music, sound mixing, editing, location fees, soundstages and any and all other costs or services directly incurred in connection with a state-certified qualified production;

(B) Expenditures for distribution, including preproduction, production or postproduction costs relating to the creation of trailers, marketing videos, commercials, point-of-purchase videos and any and all content created on film or digital media, including the duplication of films, videos, CDs, DVDs and any and all digital files now in existence and those yet to be created for mass consumer consumption; the purchase, by a company in the state, of any and all equipment relating to the duplication or mass market distribution of any content created or produced in the state by any digital media format which is now in use and those formats yet to be created for mass consumer consumption; and

(C) "Production expenses or costs" does not include the following: (i) On and after January 1, 2008, compensation in excess of fifteen million dollars paid to any individual or entity representing an individual, for services provided in the production of a qualified production and on or after January 1, 2010, compensation subject to Connecticut personal income tax in excess of twenty million dollars paid in the aggregate to any individuals or entities representing individuals, for star talent provided in the production of a qualified production; (ii) media buys, promotional events or gifts or public relations associated with the promotion or marketing of any qualified production; (iii) deferred, leveraged or profit participation costs relating to any and all personnel associated with any and all aspects of the production, including, but not limited to, producer fees, director fees, talent fees and writer fees; (iv) costs relating to the transfer of the production tax credits; (v) any amounts paid to persons or businesses as a result of their participation in profits from the exploitation of the qualified production; and (vi) any expenses or costs relating to an independent certification, as required by subsection (h) of this section, or as the department may otherwise require, pertaining to the amount of production expenses or costs set forth by an eligible production company in its application for a production tax credit.

(6) "Sound recording" means a recording of music, poetry or spoken-word performance, but does not include the audio portions of dialogue or words spoken and recorded as part of a motion picture, video, theatrical production, television news coverage or athletic event.

(7) "State-certified qualified production" means a qualified production produced by an eligible production company that (A) is in compliance with regulations adopted pursuant to subsection (l) of this section, (B) is authorized to conduct business in this state, and (C) has been approved by the department as qualifying for a production tax credit under this section.

(8) "Interactive web site" means a web site, the production costs of which (A) exceed five hundred thousand dollars per income year, and (B) is primarily (i) interactive games or end user applications, or (ii) animation, simulation, sound, graphics, story lines or video created or repurposed for distribution over the Internet. An interactive web site does not include a web site primarily used for institutional, private, industrial, retail or wholesale marketing or promotional purposes, or which contains obscene content.

(9) "Post-certification remedy" means the recapture, disallowance, recovery, reduction, repayment, forfeiture, decertification or any other remedy that would have the effect of reducing or otherwise limiting the use of a tax credit provided by this section.

(10) "Compensation" means base salary or wages and does not include bonus pay, stock options, restricted stock units or similar arrangements.

(11) "Relocated television production" means:

(A) An ongoing television program all of the prior seasons of which were filmed outside this state, and may include current events shows, except those referenced in subparagraph (B)(i) of this subdivision.

(B) An eligible production company's television programming in this state that (i) is not a general news program, sporting event or game broadcast, and (ii) is created at a qualified production facility that has had a minimum investment of twenty-five million dollars made by such eligible production company on or after January 1, 2012, at which facility the eligible production company creates ongoing television programming as defined in subparagraph (A) of this subdivision, and creates at least two hundred new jobs in Connecticut on or after January 1, 2012. For purposes of this subdivision, "new job" means a full-time job, as defined in section 12-217ii, that did not exist in this state prior to January 1, 2012, and is filled by a new employee, and "new employee" includes a person who was employed outside this state by the eligible production company prior to January 1, 2012, but does not include a person who was employed in this state by the eligible production company or a related person, as defined in section 12-217ii, with respect to the eligible production company during the prior twelve months.

(C) A relocated television production may be a state-certified qualified production for not more than ten successive income years, after which period the eligible production company shall be ineligible to resubmit an application for certification.

(b) (1) The Department of Economic and Community Development shall administer a system of tax credit vouchers within the resources, requirements and purposes of this section for eligible production companies producing a state-certified qualified production in the state.

(2) Any eligible production company incurring production expenses or costs shall be eligible for a credit (A) for income years commencing on or after January 1, 2010, but prior to January 1, 2018, against the tax imposed under chapter 207 or this chapter, (B) for income years commencing on or after January 1, 2018, but prior to January 1, 2022, against the tax imposed under chapter 207 or 211 or this chapter, and (C) for income years commencing on or after January 1, 2022, against the tax imposed under chapter 207, 211, 219 or this chapter, as follows: (i) For any such company incurring such expenses or costs of not less than one hundred thousand dollars, but not more than five hundred thousand dollars, a credit equal to ten per cent of such expenses or costs, (ii) for any such company incurring such expenses or costs of more than five hundred thousand dollars, but not more than one million dollars, a credit equal to fifteen per cent of such expenses or costs, and (iii) for any such company incurring such expenses or costs of more than one million dollars, a credit equal to thirty per cent of such expenses or costs.

(c) No eligible production company incurring an amount of production expenses or costs that qualifies for such credit shall be eligible for such credit unless on or after January 1, 2010, such company conducts (1) not less than fifty per cent of principal photography days within the state, or (2) expends not less than fifty per cent of postproduction costs within the state, or (3) expends not less than one million dollars of postproduction costs within the state.

(d) For income years commencing on or after January 1, 2010, no expenses or costs incurred outside the state and used within the state shall be eligible for a credit, and one hundred per cent of such expenses or costs shall be counted toward such credit when incurred within the state and used within the state.

(e) (1) On and after July 1, 2006, and for income years commencing on or after January 1, 2006, any credit allowed pursuant to this section may be sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers, provided (A) no credit, after issuance, may be sold, assigned or otherwise transferred, in whole or in part, more than three times, (B) in the case of a credit allowed for the income year commencing on or after January 1, 2011, **[**and**]** <u>but</u> prior to January 1, 2012, any entity that is not subject to tax under chapter 207 or this chapter may transfer not more than fifty per cent of such credit in any one income year, and (C) in the case of a credit allowed for an income year commencing on or after January 1, 2012, any entity that is not subject to tax under chapter 207 or this chapter may transfer not more than twenty-five per cent of such credit in any one income year.

(2) Notwithstanding the provisions of subdivision (1) of this subsection, any entity that is not subject to tax under this chapter or chapter 207 shall not be subject to the limitations on the transfer of credits provided in subparagraphs (B) and (C) of said subdivision (1), provided such entity owns not less than fifty per cent, directly or indirectly, of a business entity, as defined in section 12-284b.

(3) Notwithstanding the provisions of subdivision (1) of this subsection, any qualified production that is created in whole or in significant part, as determined by the Commissioner of Economic and Community Development, at a qualified production facility shall not be subject to the limitations of subparagraph (B) or (C) of said subdivision (1). For purposes of this subdivision, "qualified production facility" means a facility (A) located in this state, (B) intended for film, television or digital media production, and (C) that has had a minimum investment of three million dollars, or less if the Commissioner of Economic and Community Development determines such facility otherwise qualifies.

(4) (A) For the income year commencing <u>on or after</u> January 1, 2018, <u>but prior to January 1, 2019,</u> any credit that is sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers pursuant to subdivision (1) of this subsection may be claimed against the tax imposed under chapter 211 only if there is common ownership of at least fifty per cent between such taxpayer and the eligible production company that sold, assigned or otherwise transferred such credit. Such taxpayer may only claim ninety-two per cent of the amount of such

credit entered by the department on the production tax credit voucher.

(B) For income years commencing on or after January 1, 2019, any credit that is sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers pursuant to subdivision (1) of this subsection, which credit is claimed against the tax imposed under chapter 211, shall be subject to the following limits:

(i) The taxpayer may only claim ninety-five per cent of the amount of such credit entered by the department on the production tax credit voucher; and

(ii) If there is common ownership of at least fifty per cent between such taxpayer and the eligible production company that sold, assigned or otherwise transferred such credit, such taxpayer may only claim ninety-two per cent of the amount of such credit entered by the department on the production tax credit voucher.

(5) (A) For income years commencing on or after January 1, 2022, but prior to January 1, 2024, any credit that is claimed against the tax imposed under chapter 219 shall be subject to the following limits:

**[**(A)**]** (i) Any credit that is sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers pursuant to subdivision (1) of this subsection may be claimed against the tax imposed under chapter 219 only if there is common ownership of at least fifty per cent between such taxpayer and the eligible production company that sold, assigned or otherwise transferred such credit; and

**[**(B)**]** (ii) The eligible production company or taxpayer claiming the credit against the tax imposed under chapter 219 may only claim seventy-eight per cent of the amount of such credit entered by the department on the production tax credit voucher.

(B) For income years commencing on or after January 1, 2024, any credit that is claimed against the tax imposed under chapter 219 shall be subject to the following limits:

(i) Any credit that is sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers pursuant to subdivision (1) of this subsection may be claimed against the tax imposed under chapter 219 only if there is common ownership of at least fifty per cent between such taxpayer and the eligible production company that sold, assigned or otherwise transferred such credit; and

(ii) The eligible production company or taxpayer claiming the credit against the tax imposed under chapter 219 may only claim ninety-two per cent of the amount of such credit entered by the department on the production tax credit voucher.

(f) (1) On and after July 1, 2006, and for income years commencing on or after January 1, 2006, but prior to January 1, 2015, all or part of any such credit allowed under this section may be claimed against the tax imposed under chapter 207 or this chapter for the income year in which the production expenses or costs were incurred, or in the three immediately succeeding income years.

(2) For production tax credit vouchers issued on or after July 1, 2015, but prior to January 1, 2018, all or part of any such credit may be claimed against the tax imposed under chapter 207 or this chapter, for the income year in which the production expenses or costs were incurred, or in the five immediately succeeding income years.

(3) For production tax credit vouchers issued on or after July 1, 2018, but prior to January 1, 2022, all or part of any such credit may be claimed against the tax imposed under chapter 207 or 211 or this chapter, for the income year in which the production expenses or costs were incurred, or in the five immediately succeeding income years.

(4) For production tax credit vouchers issued on or after January 1, 2022, all or part of any such credit may be claimed against the tax imposed under chapter 207, 211, 219 or this chapter, for the income year in which the production expenses or costs were incurred, or in the five immediately succeeding income years.

(g) Any production tax credit allowed under this section shall be nonrefundable.

(h) (1) An eligible production company shall apply to the department for a tax credit voucher on an annual basis, but not later than ninety days after the first production expenses or costs are incurred in the production of a qualified production, and shall provide with such application such information as the department may require to determine such company's eligibility to claim a credit under this section. No production expenses or costs may be listed more than once for purposes of the tax credit voucher pursuant to this section, or pursuant to section 12-217kk or 12-217*ll*, and if a production expense or cost has been included in a claim for a credit, such production expense or cost may not be included in any subsequent claim for a credit.

(2) Not later than ninety days after the end of the annual period, or after the last production expenses or costs are incurred in the production of a qualified production, an eligible production company shall apply to the department for a production tax credit voucher, and shall provide with such application (A) a report that includes the number of full-time jobs and the number of part-time jobs created by the eligible production company during the annual period, a description of each such job and an explanation of what the eligible production company considers to be job creation for purposes of the report, and (B) such information and independent certification as the department may require pertaining to the amount of such company's production expenses or costs. Such independent certification shall be provided by an audit professional chosen from a list compiled by the department. If the department determines that such company is eligible to be issued a production tax credit voucher, the department shall enter on the voucher the amount of production expenses or costs that has been established to the satisfaction of the department and the amount of such company's credit under this section. The department shall provide a copy of such voucher to the commissioner, upon request.

(3) The department shall charge a reasonable administrative fee

sufficient to cover the department's costs to analyze applications submitted under this section.

(i) If an eligible production company sells, assigns or otherwise transfers a credit under this section to another taxpayer, the transferor and transferee shall jointly submit written notification of such transfer to the department not later than thirty days after such transfer. If such transferee sells, assigns or otherwise transfers a credit under this section to a subsequent transferee, such transferee and such subsequent transferee shall jointly submit written notification of such transfer to the department not later than thirty days after such transfer. The notification after each transfer shall include the credit voucher number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and the transferee, and any other information required by the department. Failure to comply with this subsection will result in a disallowance of the tax credit until there is full compliance on the part of the transferor and the transferee, and for a second or third transfer, on the part of all subsequent transferors and transferees. The department shall provide a copy of the notification of assignment to the commissioner upon request.

(j) Any eligible production company that submits information to the department that it knows to be fraudulent or false shall, in addition to any other penalties provided by law, be liable for a penalty equal to the amount of such company's credit entered on the production tax credit voucher issued under this section.

(k) No tax credits transferred pursuant to this section shall be subject to a post-certification remedy, and the department and the commissioner shall have no right, except in the case of possible material misrepresentation or fraud, to conduct any further or additional review, examination or audit of the expenditures or costs for which such tax credits were issued. The sole and exclusive remedy of the department and the commissioner shall be to seek collection of the amount of such tax credits from the entity that committed the fraud or misrepresentation.

(l) The department, in consultation with the commissioner, shall adopt regulations, in accordance with the provisions of chapter 54, as may be necessary for the administration of this section.

Sec. 2. Subsection (a) of section 32-1m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2024*):

(a) Not later than February first, annually, the Commissioner of Economic and Community Development shall submit a report to the Governor, the Auditors of Public Accounts and the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies, finance, revenue and bonding and commerce, in accordance with the provisions of section 11-4a. Not later than thirty days after submission of the report, said commissioner shall post the report on the Department of Economic and Community Development's web site. Such report shall include, but not be limited to, the following information with regard to the activities of the Department of Economic and Community Development and to business assistance programs administered by Connecticut Innovations, Incorporated, during the preceding state fiscal year:

(1) A brief description and assessment of the state's economy during such year, utilizing the most recent and reasonably available data, and including:

(A) Connecticut employment by industry;

(B) Connecticut and national average unemployment; and

(C) Connecticut gross state product, by industry.

(2) An analysis of the economic development portfolio of the department, including, but not limited to, each business assistance or incentive program, including any business tax credit or abatement program, grant, loan, forgivable loan or other form of assistance,

enacted for the purpose of improving economic development. The analysis shall include:

(A) The Internet web site address of the state's open data portal and an indication of where the name, address and location of each recipient of the department's assistance is published on the site along with the following information concerning each recipient: (i) Business activities, (ii) standard industrial classification codes or North American industrial classification codes, (iii) whether the recipient is a minority or woman-owned business, (iv) a summary of the terms and conditions for the assistance, including the type and amount of state financial assistance and job creation or retention requirements, (v) the amount of investments from private and other nonstate sources that have been leveraged by the assistance, and (vi) the amount of state investment;

(B) A portfolio analysis, including an analysis of the wages paid by recipients of financial assistance by industry;

(C) An investment analysis, including (i) total portfolio value, (ii) total investment by industry, (iii) portfolio dollar per job average, and (iv) portfolio leverage ratio;

(D) An overview of the business assistance and incentive programs administered by the department and an analysis of their estimated economic impact on the state's economy. The analysis shall include, for each business assistance or incentive program for which such data is available, the number of new jobs created, the borrowing cost to the state and the estimated impact of such program on annual state revenues;

(E) An analysis of whether the statutory and programmatic goals of each business or incentive program are being met, with obstacles to such goals identified, if possible;

(F) (i) Recommendations as to whether any existing business assistance or incentive program should be continued, modified or repealed and the basis or bases for such recommendations, and (ii) any recommendations for additional data collection by the state to better inform future evaluations of such programs; and

(G) The methodologies and assumptions used in carrying out the analyses under this subdivision.

(3) An analysis of the community development portfolio of the department, including:

(A) The Internet web site address of the state's open data portal and an indication of where the name, address and location of each recipient of the department's assistance is published on the site along with the following information concerning each recipient: (i) Amount of state investment, (ii) a summary of the terms and conditions for the department's assistance, including the type and amount of state financial assistance, and (iii) the amount of investments from private and other nonstate sources that have been leveraged by such assistance; and

(B) An investment analysis, including (i) total active portfolio value, (ii) total investments made in the preceding state fiscal year, and (iii) total portfolio leverage ratio.

(4) An analysis of each business assistance or incentive program, including any business tax credit or abatement program, grant, loan, forgivable loan or other form of assistance, enacted for the purpose of improving economic development, that (A) (i) had ten or more recipients of assistance in the preceding state fiscal year, or (ii) credited, abated or distributed more than one million dollars in the preceding state fiscal year, and (B) is administered by the department or Connecticut Innovations, Incorporated. The analysis shall include:

(i) An overview of the business assistance or incentive program and an analysis of its estimated economic effects on the state's economy, including, for each program where such data is available, the number of new jobs created and the estimated impact of such program on annual state revenues;

(ii) An analysis of whether the statutory and programmatic goals of each business assistance or incentive program are being met, with obstacles to such goals identified, if possible;

(iii) Recommendations as to whether any such existing business assistance or incentive program should be continued, modified or repealed and the basis or bases for such recommendations, and any recommendations for additional data collection by the state to better inform future evaluations of such programs; and

(iv) The methodologies and assumptions used in carrying out the analysis under this subdivision.

(5) A summary of the department's international trade efforts in the preceding state fiscal year, and, to the extent possible, a summary of foreign direct investment that occurred in the state in such year.

(6) A summary of the total social and economic impact of the department's efforts and activities in the areas of economic and community development, and an assessment of the department's performance in terms of meeting its stated goals and objectives.

(7) With regard to the Small Business Express program established pursuant to section 32-7g, data on (A) the number of small businesses that received assistance under said program and the general categories of such businesses, (B) the amounts and types of assistance provided, (C) the total number of jobs on the date of application and the number proposed to be created or retained, (D) the most recent employment figures of the small businesses receiving assistance, (E) the default rate of small businesses that received assistance under said program, and (F) the progress of the lenders participating in said program in becoming self-sustainable.

(8) With regard to airport development zones established pursuant to section 32-75d, a summary of the economic and cost benefits of each zone and any recommended revisions to any such zones.

(9) An overview of the department's activities related to tourism, the

arts and historic preservation.

(10) An overview of the department's activities concerning digital media, motion pictures and related production activity, and an analysis of the use of the film production tax credit established under section 12-217jj, as amended by this act, the entertainment industry infrastructure tax credit established under section 12-217kk and the digital animation production tax credit established under section 12-217*ll*, including the amount of any tax credit issued under said sections, **[**and**]** the total amount of production expenses or costs incurred in the state by the taxpayer who was issued such a tax credit and the information submitted in the report required under subparagraph (A) of subdivision (1) of subsection (h) of section 12-217jj, as amended by this act.

(11) A summary of the department's and the office of the permit ombudsman's brownfield-related efforts and activities in the preceding fiscal year.

(12) A summary of the department's dry cleaning establishment remediation account activities in the preceding fiscal year.

| This act shall take effect as follows and shall amend the following sections: | | |
|---|---|---|
| Section 1 | *January 1, 2024* | 12-217jj |
| Sec. 2 | *January 1, 2024* | 32-1m(a) |

***FIN*** *Joint Favorable*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

## OFA Fiscal Note

### State Impact:

| Agency Affected | Fund-Effect | FY 24 $ | FY 25 $ |
|---|---|---|---|
| Revenue Serv., Dept. | GF - Cost | Up to 75,000 | None |
| Department of Revenue Services | GF - Revenue Loss | 2.2 million | 4.3 million |

Note: GF=General Fund

### Municipal Impact: None

### Explanation

The bill, which increases the value of film tax credits claimed against the sales and use tax, results in (1) a General Fund revenue loss of $2.2 million in FY 24 and $4.3 million in FY 25 and annually thereafter, and (2) a one-time cost of up to $75,000 to the Department of Revenue Services in FY 24 associated with programming changes and form modification.

### The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

## OLR Bill Analysis
## HB 6929

### *AN ACT CONCERNING THE FILM AND DIGITAL MEDIA PRODUCTION TAX CREDITS.*

### SUMMARY

Existing law allows eligible production companies and certain taxpayers to whom they transfer credits (i.e., transferees) to apply film and digital media production tax credits against the sales and use tax, but at a reduced amount of their face value. This bill increases this amount from 78% to 92% of the credits' value beginning with the 2024 income year.

As under existing law, transferees may claim film and digital media production tax credits against the sales and use tax only if there is at least 50% common ownership between the transferee and the eligible production company that sold, assigned, or otherwise transferred the credits. These credits may also be claimed against the corporation business and insurance premiums taxes at full face value and the community antenna television systems tax at a reduced value (see BACKGROUND).

Separately, the bill also requires that certain information on eligible production companies' job creation be included in tax credit voucher applications and in the Department of Economic and Community Development's (DECD) annual report to the legislature. Under existing law, within 90 days after the end of an annual period or the last production expenses are incurred, the production company must apply to DECD for a credit voucher and include with its application any information and independent certification the department requires. The bill also requires that the company include a report with the number of full- and part-time jobs it created, a description of each job, and an explanation of what it considers to be job creation for the report's

purposes. DECD must then include this job creation information in the overview of the film tax industry credit program in its annual report.

Lastly, the bill makes technical changes.

EFFECTIVE DATE: January 1, 2024

## BACKGROUND

### *Film and Digital Media Tax Credit*

The film and digital media tax credit is one of three credits under Connecticut's film industry tax credit program. The credit is available to eligible production companies that incur at least $100,000 in eligible in-state expenses for qualified productions. The credit amount is based on total eligible expenses incurred and increases with more total expenses, as follows: (1) 10% for expenses of $100,000 to $500,000; (2) 15% for expenses exceeding $500,000, up to $1 million; and (3) 30% for expenses exceeding $1 million.

An eligible production company is one that produces a qualified production in Connecticut and (1) conducts at least 50% of principal photography days within the state or (2) spends at least 50% or $1 million of postproduction costs in the state. Qualified productions include documentaries, long-form specials, series, videos and music videos, and commercials.

Credits may be (1) claimed in the year the expenses were incurred or the next five income years or (2) sold, assigned, or transferred up to three times. The credits may be claimed against the corporation business and insurance premiums taxes at full face value and the community antenna television systems tax at a reduced value (generally 92%-95% of their face value).

### *Related Bill*

sSB 981 (§§ 9 & 10), reported favorably by the Finance, Revenue and Bonding Committee, has identical provisions on the film and digital media tax credit and DECD reporting.

## COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

| | | | | |
|---|---|---|---|---|
| Yea | 38 | Nay | 13 | (04/19/2023) |