

SUBSTITUTE FOR
SENATE BILL NO. 1169

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
by amending section 4cc (MCL 205.54cc), as added by 2006 PA 657;
and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4cc. (1) For tax years that begin after December 31, 2006
2 through ~~December 31, 2010~~ **FEBRUARY 29, 2008**, the Michigan film
3 office, ~~in the department of history, arts, and libraries~~, with the
4 concurrence of the state treasurer, may enter into an agreement
5 with a motion picture production company providing a credit against
6 the tax imposed by this act as provided under subsection (2). To
7 qualify for the credit under this section, a motion picture

1 production company shall meet all of the following requirements:

2 (a) Shall spend at least \$200,000.00 in this state for
3 purposes related to the filming or production of a single motion
4 picture.

5 (b) Shall enter into an agreement as provided in this section.

6 (c) Shall receive a postproduction certificate of completion
7 under subsection (5).

8 (d) Shall submit a postproduction certificate of completion
9 issued under subsection (5) to the department of treasury under
10 subsection (7).

11 (e) Shall not be delinquent in a tax or other obligation owed
12 to this state or be owned or under common control of an entity that
13 is delinquent in a tax or other obligation owed to this state.

14 (2) An agreement under this section may provide for a motion
15 picture production company to claim a tax credit under this section
16 as follows:

17 (a) If the company incurs between \$200,000.00 and
18 \$1,000,000.00 in production spending, up to 12% of its production
19 spending.

20 (b) If the company incurs between \$1,000,000.01 and
21 \$5,000,000.00 in production spending, up to 16% of its production
22 spending.

23 (c) If the company incurs between \$5,000,000.01 and
24 \$10,000,000.00 in production spending, up to 20% of its production
25 spending. However, if a company incurs more than \$10,000,000.00 in
26 production spending, the agreement may provide tax credits based
27 only on the first \$10,000,000.00 of its production spending.

1 (3) A motion picture production company intending to engage in
2 motion picture production in this state may submit an application
3 to enter into an agreement under this section to the Michigan film
4 office. The request shall be submitted in a form prescribed by the
5 ~~department of history, arts, and libraries~~ **MICHIGAN FILM OFFICE** and
6 shall be accompanied by all of the information and records
7 requested by the Michigan film office. The ~~department~~ **MICHIGAN FILM**
8 **OFFICE** shall not process the application until it is complete. As
9 part of the application, the motion picture production company
10 shall estimate its expected production spending for an identified
11 motion picture. If the Michigan film office with the concurrence of
12 the state treasurer determines to enter into an agreement under
13 this section, the agreement shall provide for all of the following:

14 (a) A requirement that the motion picture production company
15 shall commence work in this state on the identified motion picture
16 within 90 days of the date of the agreement or else the agreement
17 shall expire. However, upon request submitted by the motion picture
18 production company based on good cause, the Michigan film office
19 may extend the period for commencement of production for an
20 additional 90 days.

21 (b) A statement identifying the motion picture production
22 company and the motion picture that the company intends to produce
23 in whole or in part in this state.

24 (c) The maximum amount of the credit under this section
25 available to the motion picture production company for the motion
26 picture it plans to produce in whole or in part in this state.

27 (d) A unique number assigned to the motion picture production

1 project by the Michigan film office.

2 (e) A requirement that the motion picture not depict obscene
3 matter or an obscene performance.

4 (4) The film office and the state treasurer shall not enter
5 into an agreement with any motion picture production company
6 providing credits for more than 4 motion pictures for any 1 tax
7 year. In determining whether to enter into an agreement under this
8 section, the film office and the state treasurer shall consider all
9 of the following:

10 (a) The likelihood that in the absence of the credit the
11 filming will take place in a location other than this state.

12 (b) The extent to which the filming may have the effect of
13 promoting this state as a tourist destination.

14 (c) The motion picture production company's record in
15 completing commitments to engage in motion picture production.

16 (5) If the Michigan film office determines that a motion
17 picture production company has complied with the terms of an
18 agreement entered into under this section, the office shall issue a
19 postproduction certificate to that motion picture production
20 company. The motion picture production company shall submit a
21 request to the Michigan film office on a form prescribed by the
22 ~~department of history, arts, and libraries~~ **MICHIGAN FILM OFFICE** for
23 a postproduction certificate, along with any documentation the
24 Michigan film office requires. The office shall process each
25 request within 60 days after it is complete. However, the office
26 may request additional information and documentation before issuing
27 a postproduction certificate of completion and need not issue the

1 postproduction certificate until satisfied that production spending
2 is adequately established. Each postproduction certificate of
3 completion shall be signed by the ~~director~~ **MICHIGAN FILM**
4 **COMMISSIONER** or his or her designee and shall include the following
5 information:

6 (a) The name of the motion picture production company.

7 (b) The name of the motion picture produced in whole or in
8 part in this state.

9 (c) The motion picture production company's production
10 spending for the motion picture and the amount of the tax credit
11 the company is entitled to claim under this section.

12 (d) The date of completion for the motion picture production
13 in this state.

14 (e) The unique number assigned to the motion picture
15 production project by the Michigan film office under subsection
16 (3).

17 (f) The motion picture production company's federal employer
18 identification number or Michigan treasury number.

19 (6) Information and records submitted by a motion picture
20 production company to the Michigan film office under this section
21 shall be considered confidential and exempt from disclosure under
22 the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246,
23 to the extent that they describe the commercial and financial
24 operations of the company, they have not been publicly disseminated
25 at any time, and their disclosure might put the company at a
26 competitive disadvantage. A company submitting materials under this
27 section shall specifically designate any information and records

1 that the company deems confidential. The ~~department~~ **MICHIGAN FILM**
2 **OFFICE** may release any information and records submitted under this
3 section that have not been designated confidential by the company.

4 (7) A motion picture production company shall submit a
5 postproduction certificate of completion issued under subsection
6 (5) to the department of treasury. Subject to subsection (8), if
7 the credit allowed under this section exceeds the tax liability of
8 the motion picture production company for the tax year or if the
9 motion picture production company does not have a tax liability
10 under this act for the tax year, the department of treasury shall
11 refund the excess or pay the amount of the credit to that motion
12 picture production company.

13 (8) The total amount of tax credits available for all motion
14 picture production companies and their assignees under this section
15 shall not exceed \$7,000,000.00 for any 1 tax year.

16 (9) The state school aid fund established in section 11 of
17 article IX of the state constitution of 1963 and all local units of
18 government shall be held harmless for any credit or refund paid
19 under this section. Any credit or refund paid under this section
20 shall be paid from the general fund in the state treasury.

21 (10) Not later than March 1 of each year, the ~~department of~~
22 ~~history, arts, and libraries~~ **MICHIGAN FILM OFFICE** shall submit to
23 the governor, the chairperson of the senate finance committee, and
24 the house tax policy committee an annual report concerning the
25 operation and effectiveness of the credit under this section. The
26 requirements of section 28(1)(f) of 1941 PA 122, MCL 205.28, do not
27 apply to disclosure of tax information required by this subsection.

1 The report shall include all of the following:

2 (a) A brief assessment of the overall effectiveness of the
3 credit under this section at attracting motion picture productions
4 to this state during the immediately preceding year.

5 (b) The number of motion picture productions requesting tax
6 credit ~~preproduction-approval letters~~ during the immediately
7 preceding year, the names of the motion pictures produced in this
8 state for which credits were begun or completed in the immediately
9 preceding year, and the locations in this state that were used in
10 the production of approved motion pictures in the immediately
11 preceding year.

12 (c) The amount of money spent by each motion picture
13 production company identified in subdivision (b) to produce the
14 motion pictures in this state and a breakdown of all production
15 spending by all companies classified as goods, services, or
16 salaries and wages.

17 (d) An estimate of the number of persons employed in this
18 state by motion picture production companies that qualify for the
19 credit under this section.

20 (e) The value of all tax credit certificates of completion
21 issued under this section.

22 (f) An estimate of the cost to the general fund resulting from
23 the tax credits claimed under this section and an estimate of
24 increased direct and indirect spending in this state due to motion
25 picture production.

26 ~~—— (g) A brief review of the practices and experiences of other~~
27 ~~states and provinces with similar incentive programs.~~

~~1 (h) Any other information deemed important by the department~~
~~2 to include in the report.~~

(11) As used in this section:

~~4 (a) "Department" means the department of history, arts, and~~
~~5 libraries.~~

~~6 (b) "Director" means the director of the department of~~
~~7 history, arts, and libraries.~~

(A) ~~(c)~~ "Michigan film office" or "office" means the Michigan
 film office housed within the department of history, arts, and
 libraries **BEFORE MAY 4, 2008, AND HOUSED WITHIN THE MICHIGAN**
STRATEGIC FUND AFTER MAY 3, 2008.

(B) ~~(d)~~ "Motion picture" means a feature-length film produced
 for distribution in 2 or more states that is a production for which
 records are not required to be maintained with respect to any
 performer in the production under 18 USC 2257, or a television
 series or a commercial or series of commercials made in this state
 in whole or in part for theatrical or television viewing or as a
 television pilot. Motion picture does not include the production of
 any of the following:

(i) Televised news or current events programs.

(ii) Live sporting events.

(iii) Political advertising.

(iv) Radio programs.

(v) Weather shows.

(vi) Financial market reports.

(vii) Talk shows.

(viii) Game shows.

1 (ix) Product or service marketing.

2 (x) Awards shows or other events.

3 (C) ~~(e)~~—"Motion picture production company" or "company" means
4 an entity in the business of producing motion pictures. However,
5 motion picture production company does not include an entity that
6 is more than 30% owned, affiliated, or controlled by an entity or
7 individual who is in default on a loan made by this state, a loan
8 guaranteed by this state, or a loan made or guaranteed by any other
9 state.

10 (D) ~~(f)~~—"Obscene matter or an obscene performance" means
11 matter described in 1984 PA 343, MCL 752.361 to 752.374.

12 (E) ~~(g)~~—"Production spending" means the following expenditures
13 made in this state to film or produce a single motion picture:

14 (i) Payments to vendors in this state to purchase tangible
15 personal property that is used in making the motion picture.

16 (ii) Payments to vendors doing business in this state for
17 services relating to motion picture production, editing, and
18 processing.

19 (iii) Payments and compensation, not to exceed \$100,000.00 for
20 any 1 employee, for contractual or salaried employees who are
21 residents of this state who perform services with respect to the
22 production.

23 Enacting section 1. Section 4cc of general sales tax act, 1933
24 PA 167, MCL 205.54cc, is repealed effective December 31, 2009.