

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5204

A bill to amend 1933 PA 167, entitled
"General sales tax act,"
(MCL 205.51 to 205.78) by adding section 4cc.

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, THE MICHIGAN FILM OFFICE IN THE
3 DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES, WITH THE CONCURRENCE OF
4 THE STATE TREASURER, MAY ENTER INTO AN AGREEMENT WITH A MOTION
5 PICTURE PRODUCTION COMPANY PROVIDING A CREDIT AGAINST THE TAX
6 IMPOSED BY THIS ACT AS PROVIDED UNDER SUBSECTION (2). TO QUALIFY
7 FOR THE CREDIT UNDER THIS SECTION, A MOTION PICTURE PRODUCTION
8 COMPANY SHALL MEET ALL OF THE FOLLOWING REQUIREMENTS:
9 (A) SHALL SPEND AT LEAST \$200,000.00 IN THIS STATE FOR

1 PURPOSES RELATED TO THE FILMING OR PRODUCTION OF A SINGLE MOTION
2 PICTURE.

3 (B) SHALL ENTER INTO AN AGREEMENT AS PROVIDED IN THIS SECTION.

4 (C) SHALL RECEIVE A POSTPRODUCTION CERTIFICATE OF COMPLETION
5 UNDER SUBSECTION (5).

6 (D) SHALL SUBMIT A POSTPRODUCTION CERTIFICATE OF COMPLETION
7 ISSUED UNDER SUBSECTION (5) TO THE DEPARTMENT OF TREASURY UNDER
8 SUBSECTION (7).

9 (E) SHALL NOT BE DELINQUENT IN A TAX OR OTHER OBLIGATION OWED
10 TO THIS STATE OR BE OWNED OR UNDER COMMON CONTROL OF AN ENTITY THAT
11 IS DELINQUENT IN A TAX OR OTHER OBLIGATION OWED TO THIS STATE.

12 (2) AN AGREEMENT UNDER THIS SECTION MAY PROVIDE FOR A MOTION
13 PICTURE PRODUCTION COMPANY TO CLAIM A TAX CREDIT UNDER THIS SECTION
14 AS FOLLOWS:

15 (A) IF THE COMPANY INCURS BETWEEN \$200,000.00 AND
16 \$1,000,000.00 IN PRODUCTION SPENDING, UP TO 12% OF ITS PRODUCTION
17 SPENDING.

18 (B) IF THE COMPANY INCURS BETWEEN \$1,000,000.01 AND
19 \$5,000,000.00 IN PRODUCTION SPENDING, UP TO 16% OF ITS PRODUCTION
20 SPENDING.

21 (C) IF THE COMPANY INCURS BETWEEN \$5,000,000.01 AND
22 \$10,000,000.00 IN PRODUCTION SPENDING, UP TO 20% OF ITS PRODUCTION
23 SPENDING. HOWEVER, IF A COMPANY INCURS MORE THAN \$10,000,000.00 IN
24 PRODUCTION SPENDING, THE AGREEMENT MAY PROVIDE TAX CREDITS BASED
25 ONLY ON THE FIRST \$10,000,000.00 OF ITS PRODUCTION SPENDING.

26 (3) A MOTION PICTURE PRODUCTION COMPANY INTENDING TO ENGAGE IN
27 MOTION PICTURE PRODUCTION IN THIS STATE MAY SUBMIT AN APPLICATION

1 TO ENTER INTO AN AGREEMENT UNDER THIS SECTION TO THE MICHIGAN FILM
2 OFFICE. THE REQUEST SHALL BE SUBMITTED IN A FORM PRESCRIBED BY THE
3 DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES AND SHALL BE ACCOMPANIED
4 BY ALL OF THE INFORMATION AND RECORDS REQUESTED BY THE MICHIGAN
5 FILM OFFICE. THE DEPARTMENT SHALL NOT PROCESS THE APPLICATION UNTIL
6 IT IS COMPLETE. AS PART OF THE APPLICATION, THE MOTION PICTURE
7 PRODUCTION COMPANY SHALL ESTIMATE ITS EXPECTED PRODUCTION SPENDING
8 FOR AN IDENTIFIED MOTION PICTURE. IF THE MICHIGAN FILM OFFICE WITH
9 THE CONCURRENCE OF THE STATE TREASURER DETERMINES TO ENTER INTO AN
10 AGREEMENT UNDER THIS SECTION, THE AGREEMENT SHALL PROVIDE FOR ALL
11 OF THE FOLLOWING:

12 (A) A REQUIREMENT THAT THE MOTION PICTURE PRODUCTION COMPANY
13 SHALL COMMENCE WORK IN THIS STATE ON THE IDENTIFIED MOTION PICTURE
14 WITHIN 90 DAYS OF THE DATE OF THE AGREEMENT OR ELSE THE AGREEMENT
15 SHALL EXPIRE. HOWEVER, UPON REQUEST SUBMITTED BY THE MOTION PICTURE
16 PRODUCTION COMPANY BASED ON GOOD CAUSE, THE MICHIGAN FILM OFFICE
17 MAY EXTEND THE PERIOD FOR COMMENCEMENT OF PRODUCTION FOR AN
18 ADDITIONAL 90 DAYS.

19 (B) A STATEMENT IDENTIFYING THE MOTION PICTURE PRODUCTION
20 COMPANY AND THE MOTION PICTURE THAT THE COMPANY INTENDS TO PRODUCE
21 IN WHOLE OR IN PART IN THIS STATE.

22 (C) THE MAXIMUM AMOUNT OF THE CREDIT UNDER THIS SECTION
23 AVAILABLE TO THE MOTION PICTURE PRODUCTION COMPANY FOR THE MOTION
24 PICTURE IT PLANS TO PRODUCE IN WHOLE OR IN PART IN THIS STATE.

25 (D) A UNIQUE NUMBER ASSIGNED TO THE MOTION PICTURE PRODUCTION
26 PROJECT BY THE MICHIGAN FILM OFFICE.

27 (E) A REQUIREMENT THAT THE MOTION PICTURE NOT DEPICT OBSCENE

1 MATTER OR AN OBSCENE PERFORMANCE.

2 (4) THE FILM OFFICE AND THE STATE TREASURER SHALL NOT ENTER
3 INTO AN AGREEMENT WITH ANY MOTION PICTURE PRODUCTION COMPANY
4 PROVIDING CREDITS FOR MORE THAN 4 MOTION PICTURES FOR ANY 1 TAX
5 YEAR. IN DETERMINING WHETHER TO ENTER INTO AN AGREEMENT UNDER THIS
6 SECTION, THE FILM OFFICE AND THE STATE TREASURER SHALL CONSIDER ALL
7 OF THE FOLLOWING:

8 (A) THE LIKELIHOOD THAT IN THE ABSENCE OF THE CREDIT THE
9 FILMING WILL TAKE PLACE IN A LOCATION OTHER THAN THIS STATE.

10 (B) THE EXTENT TO WHICH THE FILMING MAY HAVE THE EFFECT OF
11 PROMOTING THIS STATE AS A TOURIST DESTINATION.

12 (C) THE MOTION PICTURE PRODUCTION COMPANY'S RECORD IN
13 COMPLETING COMMITMENTS TO ENGAGE IN MOTION PICTURE PRODUCTION.

14 (5) IF THE MICHIGAN FILM OFFICE DETERMINES THAT A MOTION
15 PICTURE PRODUCTION COMPANY HAS COMPLIED WITH THE TERMS OF AN
16 AGREEMENT ENTERED INTO UNDER THIS SECTION, THE OFFICE SHALL ISSUE A
17 POSTPRODUCTION CERTIFICATE TO THAT MOTION PICTURE PRODUCTION
18 COMPANY. THE MOTION PICTURE PRODUCTION COMPANY SHALL SUBMIT A
19 REQUEST TO THE MICHIGAN FILM OFFICE ON A FORM PRESCRIBED BY THE
20 DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES FOR A POSTPRODUCTION
21 CERTIFICATE, ALONG WITH ANY DOCUMENTATION THE MICHIGAN FILM OFFICE
22 REQUIRES. THE OFFICE SHALL PROCESS EACH REQUEST WITHIN 60 DAYS
23 AFTER IT IS COMPLETE. HOWEVER, THE OFFICE MAY REQUEST ADDITIONAL
24 INFORMATION AND DOCUMENTATION BEFORE ISSUING A POSTPRODUCTION
25 CERTIFICATE OF COMPLETION AND NEED NOT ISSUE THE POSTPRODUCTION
26 CERTIFICATE UNTIL SATISFIED THAT PRODUCTION SPENDING IS ADEQUATELY
27 ESTABLISHED. EACH POSTPRODUCTION CERTIFICATE OF COMPLETION SHALL BE

1 SIGNED BY THE DIRECTOR OR HIS OR HER DESIGNEE AND SHALL INCLUDE THE
2 FOLLOWING INFORMATION:

3 (A) THE NAME OF THE MOTION PICTURE PRODUCTION COMPANY.

4 (B) THE NAME OF THE MOTION PICTURE PRODUCED IN WHOLE OR IN
5 PART IN THIS STATE.

6 (C) THE MOTION PICTURE PRODUCTION COMPANY'S PRODUCTION
7 SPENDING FOR THE MOTION PICTURE AND THE AMOUNT OF THE TAX CREDIT
8 THE COMPANY IS ENTITLED TO CLAIM UNDER THIS SECTION.

9 (D) THE DATE OF COMPLETION FOR THE MOTION PICTURE PRODUCTION
10 IN THIS STATE.

11 (E) THE UNIQUE NUMBER ASSIGNED TO THE MOTION PICTURE
12 PRODUCTION PROJECT BY THE MICHIGAN FILM OFFICE UNDER SUBSECTION
13 (3).

14 (F) THE MOTION PICTURE PRODUCTION COMPANY'S FEDERAL EMPLOYER
15 IDENTIFICATION NUMBER OR MICHIGAN TREASURY NUMBER.

16 (6) INFORMATION AND RECORDS SUBMITTED BY A MOTION PICTURE
17 PRODUCTION COMPANY TO THE MICHIGAN FILM OFFICE UNDER THIS SECTION
18 SHALL BE CONSIDERED CONFIDENTIAL AND EXEMPT FROM DISCLOSURE UNDER
19 THE FREEDOM OF INFORMATION ACT, 1976 PA 442, MCL 15.231 TO 15.246,
20 TO THE EXTENT THAT THEY DESCRIBE THE COMMERCIAL AND FINANCIAL
21 OPERATIONS OF THE COMPANY, THEY HAVE NOT BEEN PUBLICLY DISSEMINATED
22 AT ANY TIME, AND THEIR DISCLOSURE MIGHT PUT THE COMPANY AT A
23 COMPETITIVE DISADVANTAGE. A COMPANY SUBMITTING MATERIALS UNDER THIS
24 SECTION SHALL SPECIFICALLY DESIGNATE ANY INFORMATION AND RECORDS
25 THAT THE COMPANY DEEMS CONFIDENTIAL. THE DEPARTMENT MAY RELEASE ANY
26 INFORMATION AND RECORDS SUBMITTED UNDER THIS SECTION THAT HAVE NOT
27 BEEN DESIGNATED CONFIDENTIAL BY THE COMPANY.

1 (7) A MOTION PICTURE PRODUCTION COMPANY SHALL SUBMIT A
2 POSTPRODUCTION CERTIFICATE OF COMPLETION ISSUED UNDER SUBSECTION
3 (5) TO THE DEPARTMENT OF TREASURY. SUBJECT TO SUBSECTION (8), IF
4 THE CREDIT ALLOWED UNDER THIS SECTION EXCEEDS THE TAX LIABILITY OF
5 THE MOTION PICTURE PRODUCTION COMPANY FOR THE TAX YEAR OR IF THE
6 MOTION PICTURE PRODUCTION COMPANY DOES NOT HAVE A TAX LIABILITY
7 UNDER THIS ACT FOR THE TAX YEAR, THE DEPARTMENT OF TREASURY SHALL
8 REFUND THE EXCESS OR PAY THE AMOUNT OF THE CREDIT TO THAT MOTION
9 PICTURE PRODUCTION COMPANY.

10 (8) THE TOTAL AMOUNT OF TAX CREDITS AVAILABLE FOR ALL MOTION
11 PICTURE PRODUCTION COMPANIES AND THEIR ASSIGNEES UNDER THIS SECTION
12 SHALL NOT EXCEED \$7,000,000.00 FOR ANY 1 TAX YEAR.

13 (9) THE STATE SCHOOL AID FUND ESTABLISHED IN SECTION 11 OF
14 ARTICLE IX OF THE STATE CONSTITUTION OF 1963 AND ALL LOCAL UNITS OF
15 GOVERNMENT SHALL BE HELD HARMLESS FOR ANY CREDIT OR REFUND PAID
16 UNDER THIS SECTION. ANY CREDIT OR REFUND PAID UNDER THIS SECTION
17 SHALL BE PAID FROM THE GENERAL FUND IN THE STATE TREASURY.

18 (10) NOT LATER THAN MARCH 1 OF EACH YEAR, THE DEPARTMENT OF
19 HISTORY, ARTS, AND LIBRARIES SHALL SUBMIT TO THE GOVERNOR, THE
20 CHAIRPERSON OF THE SENATE FINANCE COMMITTEE, AND THE HOUSE TAX
21 POLICY COMMITTEE AN ANNUAL REPORT CONCERNING THE OPERATION AND
22 EFFECTIVENESS OF THE CREDIT UNDER THIS SECTION. THE REQUIREMENTS OF
23 SECTION 28(1)(F) OF 1941 PA 122, MCL 205.28, DO NOT APPLY TO
24 DISCLOSURE OF TAX INFORMATION REQUIRED BY THIS SUBSECTION. THE
25 REPORT SHALL INCLUDE ALL OF THE FOLLOWING:

26 (A) A BRIEF ASSESSMENT OF THE OVERALL EFFECTIVENESS OF THE
27 CREDIT UNDER THIS SECTION AT ATTRACTING MOTION PICTURE PRODUCTIONS

1 TO THIS STATE DURING THE IMMEDIATELY PRECEDING YEAR.

2 (B) THE NUMBER OF MOTION PICTURE PRODUCTIONS REQUESTING TAX
3 CREDIT PREPRODUCTION APPROVAL LETTERS DURING THE IMMEDIATELY
4 PRECEDING YEAR, THE NAMES OF THE MOTION PICTURES PRODUCED IN THIS
5 STATE FOR WHICH CREDITS WERE BEGUN OR COMPLETED IN THE IMMEDIATELY
6 PRECEDING YEAR, AND THE LOCATIONS IN THIS STATE THAT WERE USED IN
7 THE PRODUCTION OF APPROVED MOTION PICTURES IN THE IMMEDIATELY
8 PRECEDING YEAR.

9 (C) THE AMOUNT OF MONEY SPENT BY EACH MOTION PICTURE
10 PRODUCTION COMPANY IDENTIFIED IN SUBDIVISION (B) TO PRODUCE THE
11 MOTION PICTURES IN THIS STATE AND A BREAKDOWN OF ALL PRODUCTION
12 SPENDING BY ALL COMPANIES CLASSIFIED AS GOODS, SERVICES, OR
13 SALARIES AND WAGES.

14 (D) AN ESTIMATE OF THE NUMBER OF PERSONS EMPLOYED IN THIS
15 STATE BY MOTION PICTURE PRODUCTION COMPANIES THAT QUALIFY FOR THE
16 CREDIT UNDER THIS SECTION.

17 (E) THE VALUE OF ALL TAX CREDIT CERTIFICATES OF COMPLETION
18 ISSUED UNDER THIS SECTION.

19 (F) AN ESTIMATE OF THE COST TO THE GENERAL FUND RESULTING FROM
20 THE TAX CREDITS CLAIMED UNDER THIS SECTION AND AN ESTIMATE OF
21 INCREASED DIRECT AND INDIRECT SPENDING IN THIS STATE DUE TO MOTION
22 PICTURE PRODUCTION.

23 (G) A BRIEF REVIEW OF THE PRACTICES AND EXPERIENCES OF OTHER
24 STATES AND PROVINCES WITH SIMILAR INCENTIVE PROGRAMS.

25 (H) ANY OTHER INFORMATION DEEMED IMPORTANT BY THE DEPARTMENT
26 TO INCLUDE IN THE REPORT.

27 (11) AS USED IN THIS SECTION:

1 (A) "DEPARTMENT" MEANS THE DEPARTMENT OF HISTORY, ARTS, AND
2 LIBRARIES.

3 (B) "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OF
4 HISTORY, ARTS, AND LIBRARIES.

5 (C) "MICHIGAN FILM OFFICE" OR "OFFICE" MEANS THE MICHIGAN FILM
6 OFFICE HOUSED WITHIN THE DEPARTMENT OF HISTORY, ARTS, AND
7 LIBRARIES.

8 (D) "MOTION PICTURE" MEANS A FEATURE-LENGTH FILM PRODUCED FOR
9 DISTRIBUTION IN 2 OR MORE STATES THAT IS A PRODUCTION FOR WHICH
10 RECORDS ARE NOT REQUIRED TO BE MAINTAINED WITH RESPECT TO ANY
11 PERFORMER IN THE PRODUCTION UNDER 18 USC 2257, OR A TELEVISION
12 SERIES OR A COMMERCIAL OR SERIES OF COMMERCIALS MADE IN THIS STATE
13 IN WHOLE OR IN PART FOR THEATRICAL OR TELEVISION VIEWING OR AS A
14 TELEVISION PILOT. MOTION PICTURE DOES NOT INCLUDE THE PRODUCTION OF
15 ANY OF THE FOLLOWING:

16 (i) TELEVISED NEWS OR CURRENT EVENTS PROGRAMS.

17 (ii) LIVE SPORTING EVENTS.

18 (iii) POLITICAL ADVERTISING.

19 (iv) RADIO PROGRAMS.

20 (v) WEATHER SHOWS.

21 (vi) FINANCIAL MARKET REPORTS.

22 (vii) TALK SHOWS.

23 (viii) GAME SHOWS.

24 (ix) PRODUCT OR SERVICE MARKETING.

25 (x) AWARDS SHOWS OR OTHER EVENTS.

26 (E) "MOTION PICTURE PRODUCTION COMPANY" OR "COMPANY" MEANS AN
27 ENTITY IN THE BUSINESS OF PRODUCING MOTION PICTURES. HOWEVER,

1 MOTION PICTURE PRODUCTION COMPANY DOES NOT INCLUDE AN ENTITY THAT
2 IS MORE THAN 30% OWNED, AFFILIATED, OR CONTROLLED BY AN ENTITY OR
3 INDIVIDUAL WHO IS IN DEFAULT ON A LOAN MADE BY THIS STATE, A LOAN
4 GUARANTEED BY THIS STATE, OR A LOAN MADE OR GUARANTEED BY ANY OTHER
5 STATE.

6 (F) "OBSCENE MATTER OR AN OBSCENE PERFORMANCE" MEANS MATTER
7 DESCRIBED IN 1984 PA 343, MCL 752.361 TO 752.374.

8 (G) "PRODUCTION SPENDING" MEANS THE FOLLOWING EXPENDITURES
9 MADE IN THIS STATE TO FILM OR PRODUCE A SINGLE MOTION PICTURE:

10 (i) PAYMENTS TO VENDORS IN THIS STATE TO PURCHASE TANGIBLE
11 PERSONAL PROPERTY THAT IS USED IN MAKING THE MOTION PICTURE.

12 (ii) PAYMENTS TO VENDORS DOING BUSINESS IN THIS STATE FOR
13 SERVICES RELATING TO MOTION PICTURE PRODUCTION, EDITING, AND
14 PROCESSING.

15 (iii) PAYMENTS AND COMPENSATION, NOT TO EXCEED \$100,000.00 FOR
16 ANY 1 EMPLOYEE, FOR CONTRACTUAL OR SALARIED EMPLOYEES WHO ARE
17 RESIDENTS OF THIS STATE WHO PERFORM SERVICES WITH RESPECT TO THE
18 PRODUCTION.