

SUBSTITUTE FOR
SENATE BILL NO. 1103

A bill to amend 1984 PA 270, entitled
"Michigan strategic fund act,"
by amending section 29h (MCL 125.2029h), as added by 2011 PA 291.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 29h. (1) The Michigan film office shall create and
2 operate the film and digital media production assistance program.
3 The film and digital media production assistance program may
4 provide funds to eligible production companies for direct
5 production expenditures ~~, Michigan personnel expenditures, crew~~
6 ~~personnel expenditures,~~ or qualified personnel expenditures for
7 state certified qualified productions.

8 (2) If the office receives applications that would exceed what
9 the office can award in any year, the office may prioritize that
10 application for funding in the subsequent year.

(3) The film and digital media production assistance program shall provide for all of the following:

(a) Funding shall be provided only to reimburse direct production expenditures ~~, Michigan personnel expenditures, crew personnel expenditures,~~ or qualified personnel expenditures.

(b) To be eligible to apply for funding, the eligible production company shall have direct production expenditures ~~, Michigan~~ **OR QUALIFIED** personnel expenditures, or a combination of direct production expenditures and ~~Michigan~~ **QUALIFIED** personnel expenditures, of \$100,000.00 or more.

(c) To be eligible to apply for funding, the eligible production company shall not be delinquent in a tax or other obligation owed to this state or be owned or under common control of an entity that is delinquent in a tax or other obligation owed to this state.

(d) For state certified qualified production expenditures after ~~September 30, 2011,~~ **DECEMBER 1, 2014**, an agreement under this section shall provide for funding equal to the sum of the following:

(i) ~~27%~~ **25%** of direct production expenditures **AND QUALIFIED PERSONNEL EXPENDITURES.**

~~(ii) Michigan personnel expenditures as follows:~~

~~(A) 32% after September 30, 2011 and before January 1, 2015.~~

~~(B) 27% after December 31, 2014.~~

~~(iii) Crew personnel expenditures as follows:~~

~~(A) 25% after September 30, 2011 and before January 1, 2013.~~

~~(B) 20% after December 31, 2012 and before January 1, 2014.~~

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1 ~~—— (C) 15% after December 31, 2013 and before January 1, 2015.~~

2 ~~—— (D) 10% after December 31, 2014.~~

3 ~~—— (iv) Qualified personnel expenditures as follows:~~

4 ~~—— (A) 27% after September 30, 2011 and before January 1, 2015.~~

5 ~~—— (B) 12% after December 31, 2014.~~

6 (ii) ~~(v)~~ In addition to the expenditures described in
 7 subparagraphs ~~(i), (ii), (iii), and (iv)~~, **SUBPARAGRAPH (i)**, 3% of direct
 8 production expenditures and Michigan **QUALIFIED** personnel
 9 expenditures at a qualified facility or **<<10% OF DIRECT PRODUCTION**
EXPENDITURES AND QUALIFIED PERSONNEL EXPENDITURES AT A>> postproduction
 10 facility for
 a qualified production produced at the facility.

11 ~~—— (e) Payments and compensation for all producers of a qualified~~
 12 ~~production residing in this state shall not exceed 10% of the~~
 13 ~~direct production expenditures and Michigan personnel expenditures~~
 14 ~~for the qualified production.~~

15 ~~—— (f) Payments and compensation for all producers of a qualified~~
 16 ~~production who are not residents of this state shall not exceed 5%~~
 17 ~~of the direct production expenditures and Michigan personnel~~
 18 ~~expenditures for the qualified production.~~

19 (E) ~~(g)~~ A television show may submit an application for ~~no~~ 1
 20 OR more than 2 successive seasons, notwithstanding the fact that
 21 the successive seasons have not been ordered. The successive
 22 season's direct production expenditure, Michigan **EXPENDITURES AND**
 23 **QUALIFIED** personnel expenditure, nonresident above the line
 24 personnel expenditure, and nonresident below the line crew
 25 expenditure amounts **EXPENDITURES** shall be based on the current
 26 season's estimated expenditures. Upon the completion of production
 27 of each season, a television show may submit an application for ~~no~~

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1 ~~more than 1~~ SUCCESSIVE additional ~~season~~ SEASONS. IF A TELEVISION
2 SHOW RECEIVED FUNDING UNDER THIS SECTION AND COMPLETED THE
3 PRODUCTION OF THAT TELEVISION SHOW SEASON, THE TELEVISION SHOW
4 SHALL RECEIVE A PREFERENCE FOR FUNDING THE IMMEDIATELY SUCCEEDING
5 SEASON FOR THAT TELEVISION SHOW.

6 (F) ~~(h)~~ As a separate and distinct part of the film and
7 digital media production assistance program, the office may create
8 a program to directly support and promote qualified facilities and
9 other infrastructure throughout this state.

10 ~~<<(i) That not less than 5% of the funding awarded under~~
11 ~~this section is awarded for postproduction expenditures for~~
12 ~~qualified productions.~~

13 (G) >> THAT NOT LESS THAN 10% OF THE FUNDING AWARDED UNDER THIS
14 SECTION IS AWARDED FOR QUALIFIED PRODUCTIONS THAT ARE MOTION
15 PICTURES, DOCUMENTARIES, OR TELEVISION SERIES WITH A BUDGET OF LESS
16 THAN \$15,000,000.00.

17 (4) An eligible production company intending to produce a
18 qualified production in this state may submit an application for
19 funding under this section to the Michigan film office. The request
20 shall be submitted in a form prescribed by the office and shall be
21 accompanied by an application fee equal to 0.2% of the funding
22 requested but not less than \$200.00 and not more than \$5,000.00 and
23 all of the information and records requested by the office. An
24 application fee received by the office under this subsection shall
25 be deposited in the Michigan film promotion fund. The office shall
26 not process the application until it is complete. IF AN ELIGIBLE
27 PRODUCTION COMPANY IS PRODUCING A QUALIFIED PRODUCTION AT A

1 QUALIFIED FACILITY, A COPY OF THE AGREEMENT BETWEEN THE ELIGIBLE
2 PRODUCTION COMPANY AND THE QUALIFIED FACILITY SHALL BE PROVIDED TO
3 THE OFFICE BEFORE THE OFFICE ENTERS INTO AN AGREEMENT TO AWARD
4 FUNDING UNDER THIS SECTION. The office shall process each
5 application within 21 days after the application is complete as
6 determined by the office. As part of the application, the company
7 shall estimate direct production expenditures ~~, Michigan personnel~~
8 ~~expenditures, crew personnel expenditures,~~ and qualified personnel
9 expenditures for an identified qualified production. If the office
10 determines to award funding under this section to an eligible
11 production company, the office with the concurrence of the fund
12 president **OR HIS OR HER DESIGNEE** shall enter into an agreement
13 under this section. The agreement shall include, but is not limited
14 to, all of the following:

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

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

24 (c) A unique number assigned to the qualified production by
25 the office.

26 (d) A requirement that the qualified production not depict
27 obscene matter or an obscene performance.

(e) If the qualified production is a long-form narrative film production, a requirement that the qualified production include within its presentation worldwide for the life of the qualified production an acknowledgment as provided by the office that promotes the pure Michigan tourism campaign or any successor campaign. If the qualified production is a television show, a requirement that the qualified production include within each broadcast of 30 minutes or longer an acknowledgment as provided by the office that promotes the pure Michigan tourism campaign or any successor campaign. If the qualified production is a music video, a requirement that the music video include an acknowledgment as provided by the office that promotes the pure Michigan tourism campaign or any successor campaign. If the qualified production is an interactive game, a requirement that the qualified production include with each unit distributed and online promotions an acknowledgment as provided by the office that promotes the pure Michigan tourism campaign or any successor campaign. If the qualified production is a long-form narrative film production, the office also may require that, if the qualified production is distributed by digital video disc or other digital media for the secondary market, the qualified production include a video between 30 and 60 seconds long in a form approved by the office that promotes the pure Michigan tourism campaign or any successor campaign.

(f) A requirement that the company provide the office with the information and independent certification the office deems necessary to verify direct production expenditures ~~, Michigan~~

1 ~~personnel expenditures, crew personnel expenditures, AND~~ qualified
2 personnel expenditures, and eligibility for funding under this
3 section, which may include a report of direct production
4 expenditures, ~~Michigan personnel expenditures, crew personnel~~
5 ~~expenditures,~~ and qualified personnel expenditures for the
6 qualified production audited and certified by an independent
7 certified public accountant.

8 (g) If determined to be necessary by the office, a provision
9 for addressing expenditures in excess of those identified in the
10 agreement.

11 (H) A REQUIREMENT THAT RESIDUAL PAYMENTS TO ABOVE THE LINE
12 PERSONNEL, PERSONAL SERVICE CORPORATIONS, LOAN OUT COMPANIES,
13 PROFESSIONAL EMPLOYER ORGANIZATIONS, LIMITED LIABILITY COMPANIES,
14 CORPORATIONS, OR OTHER ENTITIES FOR A QUALIFIED PRODUCTION ARE
15 SUBJECT TO TAXATION IN THIS STATE UNDER THE INCOME TAX ACT OF 1967,
16 1967 PA 281, MCL 206.1 TO 206.713, AND TAXES SHALL BE WITHHELD FROM
17 THOSE RESIDUAL PAYMENTS AND PAID TO THIS STATE IN THE AMOUNT
18 PROVIDED UNDER SECTION 703 OF THE INCOME TAX ACT OF 1967, 1967 PA
19 281, MCL 206.703. EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION,
20 PERSONAL SERVICES CORPORATIONS, LOAN OUT COMPANIES, PROFESSIONAL
21 EMPLOYER ORGANIZATIONS, LIMITED LIABILITY COMPANIES, CORPORATIONS,
22 OR OTHER ENTITIES FOR THE SERVICES OF ABOVE THE LINE PERSONNEL
23 RECEIVING PAYMENTS FOR DIRECT PRODUCTION EXPENDITURES OR QUALIFIED
24 PERSONNEL EXPENDITURES UNDER THIS SECTION SHALL BE ORGANIZED UNDER
25 THE LAWS OF THIS STATE AND SHALL MAINTAIN ACTIVE STATUS IN THIS
26 STATE FOR AS LONG AS RESIDUAL PAYMENTS FROM THE QUALIFIED
27 PRODUCTION CONTINUE TO BE PAID. RESIDUAL PAYMENTS SHALL INCLUDE

1 DEFERRED, RESIDUAL, OR CONTINGENT COMPENSATION, ROYALTIES, OR
2 PROFIT PARTICIPATION RELATING TO THE QUALIFIED PRODUCTION. A
3 PERSONAL SERVICE CORPORATION, LOAN OUT COMPANY, PROFESSIONAL
4 EMPLOYER ORGANIZATION, LIMITED LIABILITY COMPANY, CORPORATION, OR
5 OTHER ENTITY IS EXEMPT FROM THE REQUIREMENT TO BE ORGANIZED UNDER
6 THE LAWS OF THIS STATE IF IT RECEIVES LESS THAN \$250,000.00 FOR THE
7 ABOVE THE LINE SERVICES OF AN ACTOR DURING THE PERIOD THAT THE
8 QUALIFIED PRODUCTION IS PRODUCED IN THIS STATE AND ANY RELATED
9 RESIDUAL PAYMENTS ARE BASED SOLELY ON A COLLECTIVE BARGAINING
10 AGREEMENT. AS USED IN THIS SUBDIVISION, "LOAN OUT COMPANY" MEANS A
11 PERSONAL SERVICE CORPORATION OR OTHER ENTITY CONTRACTED WITH AND
12 RETAINED BY THE PRODUCTION COMPANY TO PROVIDE INDIVIDUAL PERSONNEL,
13 INCLUDING ARTISTS, CREW, ACTORS, DIRECTORS, AND PRODUCERS, FOR THE
14 PERFORMANCE OF SERVICES USED DIRECTLY IN A PRODUCTION, BUT NOT
15 INCLUDING ENTITIES RETAINED BY THE PRODUCTION COMPANY TO PROVIDE
16 TANGIBLE PROPERTY OR OUTSIDE CONTRACTOR SERVICE, INCLUDING
17 CATERING, CONSTRUCTION, TRAILERS, EQUIPMENT, AND TRANSPORTATION.

18 (5) In determining whether to award funding under this
19 section, the Michigan film office shall consider all of the
20 following:

21 (a) The potential that, in the absence of funding, the
22 qualified production will be produced in a location other than this
23 state.

24 (b) The extent to which the qualified production may have the
25 effect of promoting this state as a tourist destination.

26 (c) The extent to which the qualified production may have the
27 effect of promoting economic development or job creation in this

1 state.

2 (d) The extent to which state funding will attract private
3 investment for the production of qualified productions in this
4 state.

5 (e) The record of the eligible production company in
6 completing commitments to engage in a qualified production.

7 (f) The extent to which the qualified production will employ
8 Michigan residents.

9 (G) WHETHER THE ELIGIBLE PRODUCTION COMPANY WILL HOLD A
10 PREMIERE IN THIS STATE FOR THE QUALIFIED PRODUCTION.

11 (H) WHETHER THE ELIGIBLE PRODUCTION COMPANY WILL MAKE FILM
12 TRAILERS AND CLIPS AVAILABLE TO THE OFFICE FOR THE PURE MICHIGAN
13 TOURISM CAMPAIGN OR ANY SUCCESSOR CAMPAIGN TO PROMOTE THE QUALIFIED
14 PRODUCTION AND THE PURE MICHIGAN TOURISM CAMPAIGN OR ANY SUCCESSOR
15 CAMPAIGN.

16 (6) If the Michigan film office determines that an eligible
17 production company has complied with the terms of an agreement
18 entered into under this section, the office shall award funding as
19 provided in this section. A person that willfully submits
20 information under this section that the person knows to be
21 fraudulent or false shall, in addition to any other penalties
22 provided by law, be liable for a civil penalty equal to the amount
23 of funding provided to the person under this section. A penalty
24 collected under this section shall be deposited in the Michigan
25 film promotion fund.

26 (7) Information, records, or other data received, prepared,
27 used, or retained by the Michigan film office under this section

1 that are submitted by an eligible production company and considered
2 by the applicant and acknowledged by the office as confidential
3 shall not be subject to the disclosure requirements of the freedom
4 of information act, 1976 PA 442, MCL 15.231 to 15.246. Information,
5 records, or other data shall only be considered confidential to the
6 extent that the information or records describe the commercial and
7 financial operations or intellectual property of the company, the
8 information or records have not been publicly disseminated at any
9 time, and disclosure of the information or records may put the
10 company at a competitive disadvantage. For purposes of this
11 subsection, information or records that describe commercial and
12 financial operations do not include that portion of information or
13 records that include any expenses that qualify under this section
14 as direct production expenditures or **QUALIFIED** personnel
15 expenditures.

16 (8) ~~Not later than March 1, 2012, the~~ **THE** office shall produce
17 a performance dashboard for the assistance authorized by this
18 section. The performance dashboard shall be made available by the
19 office on the fund's website and shall be updated at least
20 annually. The performance dashboard shall include the following
21 measures:

22 (a) Direct and indirect economic impacts in this state of the
23 assistance authorized by this section.

24 (b) Direct and indirect job creation attributable to the
25 assistance authorized by this section.

26 (c) Direct and indirect private investment in this state
27 attributable to the assistance authorized by this section.

1 (d) Any other measures considered relevant by the office or
2 the Michigan film advisory council.

3 (e) The name of each eligible production company and the
4 amount of each incentive dispersed for each state certified
5 qualified production.

6 ~~— (9) The Michigan film office shall not award funding after~~
7 ~~September 30, 2017.~~

8 (9) FUNDING UNDER THIS SECTION FOR ABOVE THE LINE PERSONNEL
9 SHALL NOT EXCEED 30% OF TOTAL FUNDING UNDER THIS SECTION FOR EACH
10 QUALIFIED PRODUCTION.

11 (10) TO BE ELIGIBLE FOR FUNDING UNDER THIS SECTION, EXCEPT AS
12 OTHERWISE PROVIDED IN SUBSECTION (11), MICHIGAN RESIDENTS SHALL BE
13 HIRED TO WORK ON QUALIFIED PRODUCTIONS AS FOLLOWS:

14 (A) THROUGH SEPTEMBER 30, 2017, AT A RATIO OF NOT LESS THAN 1
15 MICHIGAN RESIDENT FOR EVERY NONRESIDENT HIRED.

16 (B) BEGINNING OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2020, AT A
17 RATIO OF NOT LESS THAN 1.5 MICHIGAN RESIDENTS FOR EVERY NONRESIDENT
18 HIRED.

19 (C) BEGINNING OCTOBER 1, 2020 THROUGH SEPTEMBER 30, 2022, AT A
20 RATIO OF NOT LESS THAN 2 MICHIGAN RESIDENTS FOR EVERY NONRESIDENT
21 HIRED.

22 (D) BEGINNING OCTOBER 1, 2022, AT A RATIO OF NOT LESS THAN 3
23 MICHIGAN RESIDENTS FOR EVERY NONRESIDENT HIRED.

24 (11) A PRODUCER MAY APPLY TO THE MICHIGAN ECONOMIC DEVELOPMENT
25 CORPORATION FOR A WAIVER OF THE MICHIGAN RESIDENT HIRING
26 REQUIREMENTS DESCRIBED IN SUBSECTION (10), BASED ON THE
27 UNAVAILABILITY OF QUALIFIED MICHIGAN RESIDENTS. THE MICHIGAN

1 ECONOMIC DEVELOPMENT CORPORATION MAY WAIVE THE MICHIGAN RESIDENT
2 HIRING REQUIREMENT DESCRIBED IN SUBSECTION (10) IF THE MICHIGAN
3 ECONOMIC DEVELOPMENT CORPORATION DETERMINES THAT THERE IS AN
4 INSUFFICIENT NUMBER OF QUALIFIED MICHIGAN RESIDENTS FOR THE
5 QUALIFIED PRODUCTION.

6 (12) ~~(10)~~—The legislature finds and declares that funding
7 authorized under this section to encourage diversification of the
8 economy, to encourage film production, to encourage investment, and
9 to encourage the creation of jobs in this state is a public purpose
10 and of paramount concern in the interest of the health, safety, and
11 general welfare of the citizens of this state. It is the intent of
12 the legislature that the economic benefits, film production,
13 investment, and the creation of jobs resulting from this section
14 shall accrue substantially within this state.

15 (13) ~~(11)~~—The fund board may authorize the use of money
16 appropriated for the program authorized by this section for
17 administration of the program. However, the fund board shall not
18 use more than 4% of the annual appropriation for administering the
19 program authorized under this section.

20 (14) ~~(12) Beginning on September 30, 2011 and at~~ **AT** the end of
21 each fiscal year, ~~thereafter,~~ the commissioner shall certify the
22 total amount of unclaimed certificates of completion, agreements
23 where work has not commenced as required in subsection (4), and
24 agreements for qualified productions the commissioner reasonably
25 believes will not be completed. Funding allocated for qualified
26 productions described in the preceding sentence may be reallocated.

27 (15) ~~(13)~~—As used in this section:

1 (a) "Above the line personnel" means a producer, director,
2 writer, actor, other than extras **AND STUNT PERFORMERS**, or other
3 similar personnel whose compensation is negotiated prior to the
4 start of the production.

5 (b) "Below the line crew" means persons employed by an
6 eligible production company for state certified qualified
7 production expenditures made after production begins and before
8 production is completed, including, but not limited to, a best boy,
9 boom operator, camera loader, camera operator, assistant camera
10 operator, compositor, **COOK, DRIVER**, dialogue editor, film editor,
11 assistant film editor, focus puller, Foley operator, Foley editor,
12 gaffer, grip, key grip, lighting crew, lighting board operator,
13 lighting technician, music editor, sound editor, sound effects
14 editor, sound mixer, steadicam operator, first assistant camera
15 operator, second assistant camera operator, digital imaging
16 technician, camera operator working with a director of photography,
17 electric best boy, grip best boy, dolly grip, rigging grip,
18 assistant key for makeup, assistant key for hair, assistant script
19 supervisor, set construction foreperson, lead set dresser,
20 assistant key for wardrobe, scenic foreperson, assistant
21 propmaster, assistant audio mixer, assistant boom person, assistant
22 key for special effects, **STUNT PERFORMER**, and other similar
23 personnel. Below the line crew does not include a producer,
24 director, writer, actor, or other similar personnel.

25 ~~—— (c) "Crew personnel expenditure" means an expenditure made in~~
26 ~~this state directly attributable to the production or development~~
27 ~~of a qualified production that is a transaction subject to taxation~~

~~in this state and is a payment or compensation for nonresident
below the line crew, talent, management, or labor, not to exceed
\$2,000,000.00 for any 1 employee or contractual or salaried
employee of a qualified production, including both of the
following:~~

~~—— (i) Payment of wages, benefits, or fees for talent, management,
or labor.~~

~~—— (ii) Payment to a personal services corporation or professional
employer organization for the services of a performing artist or
crew member if the personal services corporation or professional
employer organization is subject to taxation in this state on the
portion of the payment qualifying for funding under this section
and the payments received by the performing artist or crew member
that are subject to taxation under the income tax act of 1967, 1967
PA 281, MCL 206.1 to 206.713, and are withheld and paid to this
state in the amount provided under section 351 or 703 of the income
tax act of 1967, 1967 PA 281, MCL 206.351 and 206.703.~~

(C) ~~(d)~~—"Direct production expenditure" means a development,
preproduction, production, or postproduction expenditure made in
this state directly attributable to the production or development
of a qualified production that is a transaction subject to taxation
in this state. Direct production expenditure does not include out-
of-state production costs that are made in this state even if the
costs are passed through a third-party company in this state or
payments made by an eligible production company to its parent
company, affiliate, subsidiary, or joint venture partner except
where the payments are for transactions entered into pursuant to

1 arm's-length negotiations and which reflect a commercially
2 reasonable price for the goods and services purchased. A direct
3 production expenditure must have true economic substance within the
4 state. Direct production expenditure does not include a prize
5 payable to participants in a game show; an expenditure for
6 entertainment, amusement, or recreation; or an expenditure of more
7 than \$2,500.00 for the purchase of artwork or jewelry used in a
8 production. Direct production expenditure does not include a
9 ~~Michigan personnel expenditure, a qualified personnel expenditure.~~
10 ~~, or a crew personnel expenditure.~~ Direct production expenditure
11 includes payments to vendors doing business in this state to
12 purchase or use tangible personal property in producing the
13 qualified production or to purchase services relating to the
14 production or development of the qualified production, including
15 all of the following:

16 (i) Production work, production equipment, production software,
17 development work, postproduction work, postproduction equipment,
18 postproduction software, set design, set construction, set
19 operations, props, lighting, wardrobe, makeup, makeup accessories,
20 photography, sound synchronization, special effects, visual
21 effects, audio effects, digital effects, film processing, music,
22 sound mixing, editing, interactive game development and
23 programming, and related services and materials.

24 (ii) Use of facilities or equipment, use of soundstages or
25 studios, location fees, and related services and materials.

26 (iii) Catering, food, lodging, and related services and
27 materials.

1 (iv) Use of vehicles, which may include chartered aircraft
2 based in this state used for transportation in this state directly
3 attributable to production of a qualified production, but may not
4 include the chartering of aircraft for transportation outside of
5 this state.

6 (v) Commercial airfare if purchased through a travel agency or
7 travel company based in this state for travel to this state or
8 within this state directly attributable to production or
9 development of a qualified production.

10 (vi) Insurance coverage or bonding if purchased from an
11 insurance agent based in this state.

12 (vii) Interest on a loan, if the entity from which the
13 financing is obtained is a public, private, or institutional entity
14 with the requisite level of physical presence in this state that is
15 not related to or affiliated with the eligible production company
16 or any above the line personnel or cast members, and whose
17 principal business activity is the lending of money to individuals
18 and businesses. In addition, the financing shall be a good faith
19 loan, payable by the eligible production company, evidenced by an
20 enforceable promissory note or other debt instrument with clear
21 repayment obligations and bearing a market-related rate of
22 interest.

23 (viii) Other expenditures for production of a qualified
24 production in accordance with generally accepted entertainment
25 industry practices.

26 (D) ~~(e)~~—"Eligible production company" or "company" means an
27 entity in the business of producing qualified productions or for

1 interactive games in the business of developing interactive games,
 2 but does not include an entity that is more than 30% owned,
 3 affiliated, or controlled by an entity or individual who is in
 4 default on a loan made by this state, a loan guaranteed by this
 5 state, or a loan made or guaranteed by any other state. For an
 6 interactive game, an eligible production company need not possess
 7 ownership of or legal control over all of the intellectual property
 8 rights or other rights necessary to complete the qualified
 9 production in its entirety nor be the same entity that distributes
 10 or publishes the interactive game.

11 (E) ~~(f)~~ "Made in this state" means ~~, for purposes of~~
 12 ~~subdivision (c) only,~~ all of the following:

13 (i) Tangible personal property and services acquired by the
 14 eligible production company from a source within this state. If an
 15 item of tangible personal property is not available from a source
 16 within this state and a vendor with the requisite physical presence
 17 in this state that regularly sells or leases property of that kind
 18 obtains the property from an out-of-state vendor and sells or
 19 leases it to an eligible production company, that expenditure is
 20 considered made in this state and is a direct production
 21 expenditure and not an out-of-state production cost.

22 (ii) Services wholly performed within this state.

23 ~~—— (g) "Michigan personnel expenditure" means an expenditure made~~
 24 ~~in this state directly attributable to the production or~~
 25 ~~development of a qualified production that is a transaction subject~~
 26 ~~to taxation in this state and is a payment or compensation payable~~
 27 ~~to below the line crew for below the line crew members who are~~

~~residents of this state and above the line personnel for above the line personnel who are residents of this state, not to exceed \$2,000,000.00 for any 1 employee or contractual or salaried employee who performs service in this state for the production of a qualified production, including both of the following:~~

~~—— (i) Payment of wages, benefits, or fees.~~

~~—— (ii) Payment to a personal services corporation or professional employer organization for the services of a performing artist or crew member if the personal services corporation or professional employer organization is subject to taxation in this state on the portion of the payment qualifying for funding under this section and the payments received by the performing artist or crew member that are subject to taxation under the income tax act of 1967, 1967 PA 281, MCL 206.1 to 206.713, are withheld and paid to this state in the amount provided under section 351 or 703 of the income tax act of 1967, 1967 PA 281, MCL 206.351 and 206.703.~~

(F) ~~(h)~~—"Obscene matter or an obscene performance" means matter described in 1984 PA 343, MCL 752.361 to 752.374.

(G) ~~(i)~~—"Postproduction expenditure" means a direct expenditure for editing, Foley recording, automatic dialogue replacement, sound editing, special or visual effects including computer-generated imagery or other effects, scoring and music editing, beginning and end credits, negative cutting, soundtrack production, dubbing, subtitling, or addition of sound or visual effects. Postproduction expenditure includes direct expenditures for advertising, marketing, or related expenses.

(H) ~~(j)~~—"Postproduction facility" means a permanent facility

1 within this state equipped for the postproduction of motion
2 pictures, television shows, or digital media production that meets
3 all of the following requirements:

4 (i) Includes at least 3,000 square feet of contiguous space.

5 (ii) Includes at least 8 work stations.

6 (iii) Has been a qualified film and digital media infrastructure
7 project from which an investment expenditure certificate was issued
8 under section 457 of the Michigan business tax act, 2007 PA 36, MCL
9 208.1457, or has been the location of a state certified qualified
10 production for which a postproduction certificate of completion was
11 issued under section 455 of the Michigan business tax act, 2007 PA
12 36, MCL 208.1455, or both.

13 (I) ~~(K)~~ "Producer" means an individual without regard to his
14 or her actual title or screen credit involved in or responsible for
15 any of the following:

16 (i) Funding for financing in whole or in part, or arranging for
17 the funding, or financing, of the qualified production.

18 (ii) Obtaining the creative rights to or the intellectual
19 property for development or production of the qualified production.

20 (iii) Hiring above the line personnel.

21 (iv) Supervising the overall production of the qualified
22 production.

23 (v) Arranging for the exhibition of the qualified production.

24 (J) ~~(L)~~ "Qualified facility" means a permanent facility within
25 this state equipped for the production of motion pictures,
26 television shows, or digital media production that meets all of the
27 following requirements:

1 (i) Includes more than 1 soundstage.

2 (ii) Includes not less than 3,000 square feet of contiguous,
3 column-free space for production activities with a height of at
4 least 12 feet.

5 (iii) Includes any grid and sufficient built-in electric service
6 for shooting without the need of portable electric generators.

7 (iv) Has been a qualified film and digital media infrastructure
8 project for which an investment expenditure certificate was issued
9 under section 457 of the Michigan business tax act, 2007 PA 36, MCL
10 208.1457, or has been the location of a state certified qualified
11 production for which a postproduction certificate of completion was
12 issued under section 455 of the Michigan business tax act, 2007 PA
13 36, MCL 208.1455, or both.

14 (K) ~~(m)~~—"Qualified personnel expenditure" means an expenditure
15 made in this state directly attributable to the production or
16 development of a qualified production that is a transaction subject
17 to taxation in this state and is a payment or compensation for
18 ~~nonresident above the line personnel, talent, management, or labor,~~
19 ~~not to exceed \$2,000,000.00 for any 1 employee or contractual or~~
20 ~~salaries employee of a qualified production,~~ including both of the
21 following:

22 (i) Payment of wages, benefits, or fees for talent, management,
23 or labor.

24 (ii) Payment to a personal services corporation or professional
25 employer organization for the services of a performing artist or
26 crew member if the personal services corporation or professional
27 employer organization is subject to taxation in this state on the

1 portion of the payment qualifying for funding under this section
2 and the payments received by the performing artist or crew member
3 that are subject to taxation under the income tax act of 1967, 1967
4 PA 281, MCL 206.1 to 206.713, and are withheld and paid to this
5 state in the amount provided under section ~~351 or~~ 703 of the income
6 tax act of 1967, 1967 PA 281, MCL ~~206.351 and~~ 206.703.

7 (l) ~~(n)~~ "State certified qualified production" or "qualified
8 production" means single media or multimedia entertainment content
9 created in whole or in part in this state for distribution or
10 exhibition to the general public in 2 or more states by any means
11 and media in any digital media format, film, or video tape,
12 including, but not limited to, a motion picture, a documentary, a
13 television series, a television miniseries, a television special,
14 interstitial television programming, long-form television,
15 interactive television, music videos, interactive games such as
16 video games or wireless games, including console, computer, mobile,
17 and online games, internet programming, an internet video, a sound
18 recording, a video, digital animation, or an interactive website.
19 Qualified production also includes any trailer, pilot, video
20 teaser, or demo created primarily to stimulate the sale, marketing,
21 promotion, or exploitation of future investment in a production.

22 Qualified production does not include any of the following:

23 (i) A production for which records are required to be
24 maintained with respect to any performer in the production under 18
25 USC 2257.

26 (ii) A production that includes obscene matter or an obscene
27 performance.

1 (iii) A production that primarily consists of televised news or
2 current events.

3 (iv) A production that primarily consists of a live sporting
4 event.

5 (v) A production that primarily consists of political
6 advertising.

7 (vi) A radio program.

8 (vii) A weather show.

9 (viii) A financial market report.

10 (ix) An awards show or other gala event production.

11 (x) A production with the primary purpose of fund-raising.

12 (xi) A production that primarily is for employee training or
13 in-house corporate advertising or other similar production.

14 (xii) A commercial.