

SENATE BILL 718

Q3

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By: **Senators Griffith, Elfreth, Ellis, and Kagan**

Introduced and read first time: February 3, 2020

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Film Production Activity Tax Credit – Alterations**

3 FOR the purpose of altering the definition of “total direct costs” to include certain
4 compensation for certain individuals; altering the maximum amount of tax credit
5 certificates that the Secretary of Commerce may issue in a fiscal year; providing for
6 the application of this Act; and generally relating to the film production activity tax
7 credit.

8 BY repealing and reenacting, without amendments,
9 Article – Tax – General
10 Section 10–730(a)(1), (b)(1), and (f)(2)
11 Annotated Code of Maryland
12 (2016 Replacement Volume and 2019 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article – Tax – General
15 Section 10–730(a)(9) and (f)(1)
16 Annotated Code of Maryland
17 (2016 Replacement Volume and 2019 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
19 That the Laws of Maryland read as follows:

20 **Article – Tax – General**

21 10–730.

22 (a) (1) In this section the following words have the meanings indicated.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(9) (i) “Total direct costs”, with respect to a film production activity, means the total costs incurred in the State that are necessary to carry out the film production activity.

(ii) “Total direct costs” includes costs incurred for:

1. employee wages and benefits;
2. fees for services;
3. acquiring or leasing property; [and]

4. SALARY, WAGES, OR OTHER COMPENSATION FOR WRITERS, DIRECTORS, OR PRODUCERS; AND

[4.] 5. any other expense necessary to carry out a film production activity, including costs associated with:

- A. set construction and operation;
- B. wardrobe, makeup, and related services;
- C. photography and sound synchronization, lighting, and related services and materials;
- D. editing and related services, including film processing, transfers of film to tape or digital format, sound mixing, computer graphic services, special effects services, and animation services;
- E. salary, wages, and other compensation including related benefits, for work performed in the State, paid to persons employed in the production;
- F. rental of facilities in the State and equipment used in the State;
- G. leasing of vehicles;
- H. food and lodging;
- I. music, if performed, composed, or recorded by a Maryland musician or published by a person or company domiciled in Maryland;
- J. travel expenses incurred to bring persons employed, either directly or indirectly, in the production of the project to Maryland, but not including expenses of these persons departing from Maryland; and

1 K. legal and accounting services performed by attorneys or
2 accountants licensed in Maryland.

3 (iii) "Total direct costs" does not include any salary, wages, or other
4 compensation for[:

5 1.] personal services of an individual who receives more than
6 \$500,000 in salary, wages, or other compensation for personal services in connection with
7 any film production activity[; or

8 2. writers, directors, or producers].

9 (b) (1) A qualified film production entity may claim a credit against the State
10 income tax for film production activities in the State in an amount equal to the amount
11 stated in the final tax credit certificate approved by the Secretary for film production
12 activities.

13 (f) (1) Except as provided in paragraph (2) of this subsection, the Secretary
14 may not issue tax credit certificates for credit amounts in the aggregate totaling more than:

15 (i) for fiscal year 2014, \$25,000,000;

16 (ii) for fiscal year 2015, \$7,500,000;

17 (iii) for fiscal year 2016, \$7,500,000;

18 (iv) for fiscal year 2019, \$8,000,000;

19 (v) for fiscal year 2020, \$11,000,000; **AND**

20 (vi) for fiscal year 2021[, \$14,000,000;

21 (vii) for fiscal year 2022, \$17,000,000; and

22 (viii) for fiscal year 2023] and each fiscal year thereafter, \$20,000,000.

23 (2) If the aggregate credit amounts under the tax credit certificates issued
24 by the Secretary total less than the maximum provided under paragraph (1) of this
25 subsection in any fiscal year, any excess amount may be carried forward and issued under
26 tax credit certificates in a subsequent fiscal year.

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
28 1, 2020, and shall be applicable to all taxable years beginning after December 31, 2019.