

ALASKA STATE LEGISLATURE



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SENATOR JOHNNY ELLIS
RULES COMMITTEE CHAIR

MEMORANDUM

To: Representative Bill Stoltze,
Co-Chair House Finance Committee

Representative Bill Thomas,
Co-Chair House Finance Committee

From: Senator Johnny Ellis

Date: April 14, 2011

Re: Sectional Summary for CCSB 23 (FIN) ver C

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill, and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please contact Donald M. Bullock at Legislative Legal.

Section 1. Amends AS 24.20.271 to require Legislative Audit to conduct three audits of the Alaska film production incentive program in three periods ending June 30, 2013, June 30, 2017 and June 30, 2021.

Section 2. Amends AS 43.98.030(a) to require the Department of Revenue to provide a certificate for a film production tax credit.

Section 3. Amends AS 43.98.030(b) to refer to the certificate provided under sec. 2 of the bill.

Section 4. Amends AS 43.98.030(c) to refer to the certificate provided under sec. 2 of the bill; adds a reference to AS 43.98.030(e) that limits the period in which the credit may be used. Section 4 expands the applicability of the transferable film production credit beyond just corporate income tax liabilities (43.20) to include the Insurance Premium Tax (AS 21.89), Mining License Tax (AS 43.65), Oil and Gas Production and Transportation Tax (AS 43.56) and Oil and Gas Property Tax (AS 43.65).

Section 5. Amends AS 43.98.030(e) to refer to the certificate provided under sec. 2 of the bill; expands the period in which the credit may be used from three years to six years.

Section 6. Amends AS 43.98.030(f) to increase the total amount of film production tax credits that may be authorized.

Section 7. Adds 43.98.030(g) to cap the tax credit for any single production at 44 percent of qualified production expenditures. Adds AS 43.98.030(h) to AS 43.98.030 to authorize a person to combine film production tax credits for sale, assignment, exchange, conveyance, or other transfer. Authorizes the Department of Revenue to combine multiple tax credit certificates into a single certificate, or to divide a single tax credit certificate into multiple tax credit certificates. States that combining or splitting the tax credits does not change the period during which the credits must be used.

Section 8. Amends AS 44.33.231(b) to require the Alaska Film Office to include the amount of qualified expenditures that were paid to Alaska businesses and to Alaska residents as wages in its annual report to the Legislature. Also requires the film office to report the total amount of expenditures that were paid by productions that were not qualified expenditures.

Section 9. Amends AS 44.32.231 to require the film office to design a logo that represents the film office, which is to be included in a film qualifying for the film production tax credit.

Section 10. Amends AS 44.33.233(a) to allow qualified expenditures to be incurred during a 36-month period rather than the current 24-month period.

Section 11. Amends AS 44.33.233(b) to include in the criteria that the film office may consider in determining if a film is in the best interest of the State

- Both the immediate and long-term prospects for the employment of Alaska residents
- Both the immediate and long term prospects for the economy of the state
- The public perception of state policy on the utilization and development of the natural resources of the state.

Section 12. Adds AS 44.33.234(c) to AS 44.33.234 to make information on the application for a film production tax credit confidential.

Section 13. Amends AS 44.33.235(a) by adding a reference to AS 44.33.235(i) that is added by sec. 17 of the bill.

Section 14. Amends AS 44.33.235(b) to reduce the base amount of a tax credit available to a nonfiction production produced for television from 30 percent to 20 percent of qualified expenditures.

Section 15. Amends AS 44.33.235(c) to increase the additional credit available for qualified expenditures made in a rural area from 2 percent to 6 percent.

Section 16. Amends AS 44.33.235(d) to require a certified public accountant, licensed in the state, who is auditing the costs claimed to verify that there are no outstanding payments due to any entity in the State.

Section 17. Adds AS 44.33.235(i) to AS 44.33.235 to require that the film office logo and a special film office acknowledgment text must be included in a qualified film, or that a short Alaska promotional video or advertisement must be included in a DVD or other media produced for distribution.

Section 18. Adds a requirement that a production company must be licensed to do business in the state and amends AS 44.33.236(a) by adding the cost of transferring digital media to film or tape as a qualified expenditure. Changes the word “payroll” to “expenditure for services”.

Section 19. Updates the period under which legal proceedings may be brought to recover any amount of tax credit from a producer or production that is liable for damages to the state, or any political subdivision of the state, from 1 year to 6 years.

Section 20. Amends AS 44.33.239(7) to change the definition of a “rural area” by increasing the allowable population of a community not on the road system from 5,500 to 10,000.

Section 21. Amends uncodified law to authorize the film office to determine a film production’s qualified expenditures, award a tax credit, or review a tax credit that has been provided to a film production that has received a notice of qualification under AS 44.33.234(b) before July 1, 2023.

Section 22. Amends uncodified law that requires the commissioner of revenue to notify the presiding officers of each house of the legislature and the revisor of statutes in writing when the amount of tax credits provided under AS 43.98.030(f) and the estimated amount of tax credits that can be claimed, based on notices of qualifications issued under AS 44.33.234(b), together equal \$200,000,000.

Section 23. Amends uncodified law to extend the sunset date for the transferable film tax credit program to July 1, 2023, unless the amount of tax credits awarded under the program has reached the maximum amount of \$200,000,000 before that time.

Section 24. Amends uncodified law to extend the period in which the film office, in cooperation with the Department of Revenue, may review, audit, and bring legal proceedings to recover any amount of a tax credit issued under AS 44.33.235. The period is extended to July 1, 2029.