

ALASKA STATE LEGISLATURE



Rules Committee
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Senate Finance Committee
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Health & Social Services Committee
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Community & Regional Affairs Committee
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World Trade Special Committee
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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: Explanation of Changes

All page and line references are to the CS.

- Sec. 24.20.271 **Powers and Duties.** (Page 2 line 26 to page 2 line 29) *First adopted in the Senate Finance Committee Substitute Ver. S – dates changed in the House Labor and Commerce Committee Ver. Q*
 - Amends AS24.20.271 to require the Legislative Audit division to conduct three audits of the Alaska film production incentive program.
 - The first audit to take place at the end of the initial five years of the program in 2013.
 - Additionally, an audit would be conducted after the first four years of the proposed ten year extension in 2017.
 - A third and final audit would be conducted two years before the close of the 10 year program in 2021.
- Sec. 43.98.030 **Film production tax credit** (Page 3 line 2) *Adopted in the Senate Finance Committee Ver. S*
 - Amends AS 43.98.030(a) to require the Department of Revenue to provide a certificate for a film production tax credit. Film tax credit certificates had been addressed by regulation not by statute. The Department of Revenue issues a film production tax certificate under 15 AAC 20.260. This legislation adds references to tax credit certificates in section 7.

- **Sec. 43.98.030 Film production tax credit** (Page 3 line 5) *Adopted in the Senate Finance Committee Ver. S*
 - Amends AS 43.98.030(b) to refer to the certificate provided in Section 2 of this bill.
- **Sec.43.98.030 Film production tax credit** (Page 3 lines 8-12) *Adopted in the Senate Finance Committee Ver. S*
 - Amends AS 43.98.030(c) to refer to the tax certificate provided in Section 2 of this bill
 - Adds a reference to AS.43.98.030(e) that limits the period in which the credit may be used.

Adopted by the House Labor and Commerce Committee Ver. Q

 - Expands the transferable tax credits to offset Alaska Corporate Income Tax (AS. 43.20.011), Insurance Premium Tax/ Insurance Premium Tax (AS 21.89.070), Mining License Tax (AS 43.65.010), Oil and Gas Production and Transportation Tax (AS 43.56.010) and Oil and Gas Property Tax (AS 43.65.011)
- **Sec. 43.98.030 Film production tax credit** (Page 3 lines 22-23) *Adopted in the Senate Finance Committee Ver. S*
 - Adds a subsection stating that no tax credit may exceed 44% for a single production
- **Sec 43.98.030 Film production tax credit** (Page 3 line 25 to Page 4 line 6) *Adopted in the Senate Finance Committee Ver. S*
 - Adds a subsection 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 certificate into multiple tax credit certificates. States that combining or splitting the tax credits does not change the period during which the credits may be used.
- **Sec. 44.33.231 Duties** (Page 4 lines 14-20) *Adopted in the Senate Finance Committee Ver. S*
 - Adds to the duties of the Film Office a requirement that their report to the legislature must include
 - The total amount of qualified expenditures paid by productions qualifying for credits to Alaska businesses.
 - The total amount of qualified expenditures paid by productions qualifying for credits to Alaska residents as wages.

Adopted in the Labor and Commerce Ver. Q

 - The total amount of expenditures that were paid by productions qualifying for the film tax credit that were not qualified expenditures.
- **Sec. 44.33.231 Duties** (Page 4 lines 23-26) *Adopted in the Senate Finance Committee Ver. S*
 - Adds a subsection (d) to the duties of the film office requiring the film office to design a logo that represents the film office to be included in a film qualifying for the film production tax credit.
- **Sec. 44.33.233 Eligibility** (Page 5 lines 9 to 14) *Adopted in the Senate Finance Committee Ver. S amended in the House Labor and Commerce Committee Substitute Q*
 - Adds to subsection (b) of 44.33.233 a requirement that “in determining...whether a production is not contrary to the best interests of the state, the film office may consider
 - (2) **both the immediate and long-term prospects for** the employment of Alaska residents

- (3) **both the immediate and long-term prospects for** the economy of the state
 - **(4) state policy on the utilization and development of the natural resources of the state.**
- Sec. 44.33.235 **Award of film production tax credit** (Page 5 line 20) *Adopted in the Senate Finance Committee Ver. S*
 - Adds a reference to AS 44.33.235(i) that is added by Section 17 of this bill, a requirement that the film office logo and special film acknowledgement 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.
 - Sec. 44.33.235 **Award of film production tax credit** (Page 5 lines 27-29) *Adopted in the Senate Finance Committee Ver. S*
 - Reduces the base tax credit for nonfiction television programs (reality TV) to 20 percent of the qualified expenditures.
 - Sec. 44.33.235 **Award of the film production tax credit** (Page 6 line 5) *Adopted in the Senate Finance Committee Ver. S*
 - Increases from two to six percent the additional percent of qualified expenditures made in a rural area.
 - Sec 44.33.235 **Award of the film production tax credit** (Page 6 lines 12 and 13) *Adopted in the House Labor and Commerce Ver. Q*
 - Requires that verification of qualified expenditures by an independent certified public accountant, **licensed in the state** and that it includes verification that there are no outstanding balances due for a qualified expenditure due to an Alaskan or Alaska business.
 - Sec. 44.33.235 **Award of the film production tax credit** (Page 6 lines 16-23) *Adopted in the Senate Finance Committee Ver. S*
 - Adds subsection (i) to require that the film office logo and special film acknowledgement text be included in a qualified film, or that a short Alaska promotional video or advertisement be included in a DVD or other media produced for distribution.
 - Sec. 44.33.236 **Determination of qualified expenditures** (Page 6 lines 25,26) *Adopted in the Labor and Commerce Committee Ver Q.*
 - Adds a requirement that a production company must be licensed to do business in the state.
 - (Page 7 line 11) Changes the word payroll to expenditures for services in Alaska
 - Sec. 44.33.237 **Recovery of film production tax credit** (Page 7 line 30) *Adopted in the Labor and Commerce Committee Ver. Q*

- Changes from one year to six years the statute of limitations for legal proceedings if the film office determines that the film producer or production is liable for damages to the state, or any political subdivision of the state.
- Sec. 44.33.239 **Definitions** (Page 8 lines 1 and 2) *Adopted in the Senate Finance Committee Ver. S*
 - Changes the definition of “rural” area to mean a community with a population of 10,000 or less that is not connected by road or rail to Anchorage or Fairbanks.
 - Adds “in the state” to the definition of rural