

By: Anchia

H.B. No. 1142

A BILL TO BE ENTITLED

AN ACT

relating to the designation of media production development zones and to exemptions from the sales and use tax for items used for sound stages in media production development zones.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle F, Title 4, Government Code, is amended by adding Chapter 485A to read as follows:

CHAPTER 485A. MEDIA PRODUCTION DEVELOPMENT ZONES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 485A.001. SHORT TITLE. This chapter may be cited as the Media Production Development Zone Act.

Sec. 485A.002. DEFINITIONS. In this chapter:

(1) "Media production development zone" means an area designated as a media production development zone under this chapter.

(2) "Moving image project" means a visual and sound production, including a film, television program, national or multistate commercial, or digital interactive media production. The term does not include a production that is obscene, as defined by Section 43.21, Penal Code.

(3) "Nominating body" means the governing body of a municipality or county, or a combination of the governing bodies of municipalities or counties, that nominates and applies for designation of an area as a media production development zone.

1 (4) "Office" means the Music, Film, Television, and
2 Multimedia Office within the office of the governor.

3 (5) "Qualified person" means a person certified as a
4 qualified person under Section 485A.201.

5 (6) "Sound stage" means a soundproof structure,
6 building, or room used for a moving image project.

7 Sec. 485A.003. JURISDICTION OF MUNICIPALITY. For the
8 purposes of this chapter, territory in the extraterritorial
9 jurisdiction of a municipality is considered to be in the
10 jurisdiction of the municipality.

11 [Sections 485A.004-485A.050 reserved for expansion]

12 SUBCHAPTER B. OFFICE POWERS AND DUTIES IN GENERAL

13 Sec. 485A.051. GENERAL POWERS AND DUTIES. (a) The office
14 shall administer and monitor the implementation of this chapter.

15 (b) The office shall establish criteria and procedures for
16 designating a qualified area as a media production development zone
17 and for certifying a person as a qualified person under Section
18 485A.201.

19 Sec. 485A.052. RULEMAKING AUTHORITY. The office shall
20 adopt rules necessary to implement this chapter.

21 Sec. 485A.053. ANNUAL REPORT. On or before December 15 of
22 each year, the office shall submit to the governor, the
23 legislature, and the Legislative Budget Board a report that:

24 (1) evaluates the effectiveness of the media
25 production development zone program; and

26 (2) describes the use of state and local incentives
27 under this chapter and their effect on revenue.

1 Sec. 485A.054. ASSISTANCE. The office shall provide to
2 persons desiring to construct, expand, maintain, improve, or
3 renovate a sound stage in a media production development zone
4 information and appropriate assistance relating to the required
5 legal authorization, including a permit, certificate, approval,
6 and registration, necessary in this state to accomplish that
7 objective.

8 [Sections 485A.055-485A.100 reserved for expansion]

9 SUBCHAPTER C. DESIGNATION OF MEDIA PRODUCTION DEVELOPMENT ZONE

10 Sec. 485A.101. CRITERIA FOR MEDIA PRODUCTION DEVELOPMENT
11 ZONE DESIGNATION. (a) To be designated a media production
12 development zone, an area must be land or other real property that:

13 (1) will:

14 (A) be used exclusively to build or construct one
15 or more sound stages;

16 (B) if the real property is a building or other
17 facility, be renovated solely for the purpose of being converted
18 into one or more sound stages; or

19 (C) if the real property consists solely of one
20 or more sound stages, be improved or renovated for that purpose or
21 will be expanded into one or more additional sound stages;

22 (2) is located in a metropolitan area, the principal
23 municipality of which:

24 (A) has a population of more than 250,000; and

25 (B) has the adequate workforce, infrastructure,
26 facilities, or resources to support the production and completion
27 of moving image projects;

1 (3) is:

2 (A) included in a municipal utility district
3 created under Section 52, Article III, or Section 59, Article XVI,
4 Texas Constitution;

5 (B) designated as a reinvestment zone for tax
6 increment financing under Chapter 311, Tax Code; or

7 (C) designated as a defense economic
8 readjustment zone under Chapter 2310; and

9 (4) is to be nominated as a media production
10 development zone by an ordinance or order adopted by the nominating
11 body.

12 (b) The office may not designate an area as a media
13 production development zone if two media production development
14 zones are located in the jurisdiction of and were nominated as
15 media production development zones by the governing body of the
16 municipality or county nominating the area as a media production
17 development zone.

18 Sec. 485A.102. MAXIMUM NUMBER OF ZONE DESIGNATIONS
19 THROUGHOUT STATE. There may not be more than 10 media production
20 development zone designations under this chapter at any one time.

21 Sec. 485A.103. NOMINATION OF MEDIA PRODUCTION DEVELOPMENT
22 ZONE. (a) The governing body of a municipality or county,
23 individually or in combination with other municipalities or
24 counties, by ordinance or order, as appropriate, may nominate as a
25 media production development zone an area within its jurisdiction
26 that meets the criteria under Section 485A.101.

27 (b) The governing body of a county may not nominate

1 territory in a municipality, including extraterritorial
2 jurisdiction of a municipality, to be included in a proposed media
3 production development zone unless the governing body of the
4 municipality also nominates the territory and together with the
5 county files a joint application under Section 485A.105.

6 Sec. 485A.104. NOMINATING ORDINANCE OR ORDER. An ordinance
7 or order nominating an area as a media production development zone
8 must:

9 (1) describe precisely the area to be included in the
10 zone by a legal description or reference to municipal or county
11 boundaries;

12 (2) state a finding that the area meets the
13 requirements of this chapter;

14 (3) summarize briefly the local financial incentives,
15 including tax incentives, that, at the election of the nominating
16 body, will apply to a qualified person;

17 (4) contain a brief description of the project or
18 activity to be conducted by a qualified person in the area; and

19 (5) nominate the area as a media production
20 development zone.

21 Sec. 485A.105. APPLICATION FOR DESIGNATION. (a) For an
22 area to be designated as a media production development zone, the
23 nominating body, after nominating the area as a media production
24 development zone, must send to the office a written application for
25 designation of the area as a media production development zone.

26 (b) The application must include:

27 (1) a certified copy of the ordinance or order, as

1 appropriate, nominating the area as a media production development
2 zone;

3 (2) appropriate supporting documents demonstrating
4 that the area qualifies for designation as a media production
5 development zone;

6 (3) an estimate of the economic impact of the
7 designation of the area as a media production development zone on
8 the revenues of the governmental entity or entities nominating the
9 area as a media production development zone, considering the
10 financial incentives and benefits contemplated; and

11 (4) any additional information the office requires.

12 (c) Information required by Subsection (b) is for
13 evaluation purposes only.

14 Sec. 485A.106. REVIEW OF APPLICATION. On receipt of an
15 application for the designation of a media production development
16 zone, the office shall review the application to determine if the
17 nominated area qualifies for designation as a media production
18 development zone under this chapter.

19 Sec. 485A.107. DESIGNATION. If the office determines that
20 a nominated area for which a designation application has been
21 received satisfies the criteria under Section 485A.101, the office
22 may designate the nominated area as a media production development
23 zone unless the office determines that the designation request
24 should be denied for the reasons specified by Section 485A.108.

25 Sec. 485A.108. DENIAL OF APPLICATION; NOTICE. (a) The
26 office shall deny an application for the designation of a media
27 production development zone if the office determines that:

1 (1) the nominated area does not satisfy the criteria
2 under Section 485A.101; or

3 (2) the number of media production development zone
4 designations at the time of the application is at the maximum limit
5 prescribed by Section 485A.102.

6 (b) The department shall inform the nominating body of the
7 specific reasons for denial of an application under this section.

8 Sec. 485A.109. PERIOD OF DESIGNATION. (a) An area may be
9 designated as a media production development zone for a maximum of
10 five years.

11 (b) Except as provided by Section 485A.110, a media
12 production development zone designation remains in effect until
13 September 1 of the final year of the designation.

14 Sec. 485A.110. REMOVAL OF DESIGNATION. (a) The office may
15 remove the designation of an area as a media production development
16 zone if the area no longer meets the criteria for designation under
17 this chapter or by office rule adopted under this chapter.

18 (b) The removal of a designation does not affect the
19 validity of a tax incentive granted or accrued before the removal.

20 [Sections 485A.111-485A.150 reserved for expansion]

21 SUBCHAPTER D. ADMINISTRATION OF MEDIA PRODUCTION DEVELOPMENT ZONE

22 Sec. 485A.151. ANNUAL REPORT. (a) For purposes of this
23 section, the governing body of a media production development zone
24 is the governing body of the municipality or county, or the
25 governing bodies of the combination of municipalities or counties,
26 that applied to have the area designated as a media production
27 development zone.

1 (b) Not later than October 1 of each year, the governing
2 body of a media production development zone shall submit to the
3 office a report in the form prescribed by the office.

4 (c) The report must include for the year preceding the date
5 of the report:

6 (1) the use of local incentives for which the
7 governing body provided in the ordinance or order nominating the
8 media production development zone and the effect of those
9 incentives on revenue;

10 (2) the number of qualified persons engaging in a
11 project or activity related to a sound stage in the media production
12 development zone; and

13 (3) the types of projects or activities engaged or to
14 be engaged in by qualified persons in the media production
15 development zone.

16 [Sections 485A.152-485A.200 reserved for expansion]

17 SUBCHAPTER E. QUALIFIED PERSON DESIGNATION AND CERTIFICATION

18 Sec. 485A.201. QUALIFIED PERSON. A person is a qualified
19 person if the office, for the purpose of state benefits under this
20 chapter, or the nominating body of a media production development
21 zone, for the purpose of local benefits, certifies that the person,
22 not later than 18 months after the date of the zone designation:

23 (1) will build or construct one or more sound stages in
24 the zone;

25 (2) will renovate a building or facility solely for
26 the purpose of being converted into one or more sound stages in the
27 zone; or

1 (3) will renovate or expand one or more sound stages in
2 the zone.

3 Sec. 485A.202. PROHIBITION ON QUALIFIED PERSON
4 CERTIFICATION. If the office determines that the nominating body
5 of a media production development zone is not complying with this
6 chapter, the office shall prohibit the certification of a qualified
7 person in the zone until the office determines that the nominating
8 body is complying with this chapter.

9 Sec. 485A.203. DURATION OF DESIGNATION. Except as provided
10 by Section 485A.204, the office's certification of a person as a
11 qualified person is effective until the fifth anniversary of the
12 date the designation is made, regardless of whether the media
13 production development zone in which the qualified person is to
14 perform its commitments under this chapter is terminated before
15 that date.

16 Sec. 485A.204. REMOVAL OF DESIGNATION. The office shall
17 remove the certification of a qualified person for state benefits
18 under this chapter if the office determines that the construction,
19 renovation, improvement, maintenance, or expansion of a sound stage
20 has not been completed in the media production development zone
21 within the period prescribed by Section 485A.201.

22 [Sections 485A.205-485A.250 reserved for expansion]

23 SUBCHAPTER F. MEDIA PRODUCTION DEVELOPMENT ZONE BENEFITS

24 Sec. 485A.251. EXEMPTION FROM SALES AND USE TAX. Certain
25 items are exempt from the sales and use tax as provided by Section
26 151.3415, Tax Code.

27 Sec. 485A.252. MONITORING QUALIFIED PERSON COMMITMENTS.

1 (a) The office may monitor a qualified person to determine whether
2 and to what extent the qualified person has followed through on the
3 commitments made by the qualified person under this chapter.

4 (b) The office may determine that the qualified person is
5 not entitled to a tax exemption under Section 151.3415, Tax Code, if
6 the office determines that the qualified person:

7 (1) is not willing to cooperate with the office in
8 providing information needed by the office to make the
9 determination under Subsection (a); or

10 (2) has substantially failed to follow through on the
11 commitments made by the person under this chapter before the first
12 anniversary of the date of the zone designation.

13 SECTION 2. Subchapter H, Chapter 151, Tax Code, is amended
14 by adding Section 151.3415 to read as follows:

15 Sec. 151.3415. ITEMS SOLD TO OR USED TO CONSTRUCT,
16 MAINTAIN, EXPAND, IMPROVE, OR RENOVATE SOUND STAGE IN MEDIA
17 PRODUCTION DEVELOPMENT ZONES. (a) In this section, "qualified
18 person" and "media production development zone" have the meanings
19 assigned by Section 485A.002, Government Code.

20 (b) The sale, lease, or rental of a taxable item to a
21 qualified person is exempted from the taxes imposed by this chapter
22 if the item is used for:

23 (1) the construction, maintenance, expansion,
24 improvement, or renovation of a sound stage located in a media
25 production development zone; or

26 (2) the renovation of a building or facility located
27 in a media production development zone that is to be used

1 exclusively as a sound stage.

2 SECTION 3. This Act takes effect September 1, 2009.