

By: Watson, West

S.B. No. 1929

A BILL TO BE ENTITLED

AN ACT

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

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 facility" means a structure, building, or room used for the specific purpose of creating a moving image project. The term includes but is not limited to:

(A) a soundstage and scoring stage;

(B) a production office;

(C) an editing facility, an animation production facility, and a video game production facility;

(D) a storage and construction space; and

(E) a sound recording studio and motion capture studio.

(2) "Media production development zone" means an area

1 recognized by a nominating body and approved by the office as a
2 media production development zone under this chapter.

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

8 (4) "Nominating body" means the governing body of a
9 municipality or county, or a combination of the governing bodies of
10 municipalities or counties, that:

11 (A) recognizes a qualified area as a media
12 production development zone; and

13 (B) nominates and applies for designation of a
14 location in a media production development zone as a qualified
15 media production location.

16 (5) "Office" means the Music, Film, Television, and
17 Multimedia Office within the office of the governor.

18 (6) "Qualified media production location" means a
19 location in a media production development zone that has been
20 designated by the office as a qualified media production location
21 in accordance with this chapter.

22 (7) "Qualified person" means a person certified as a
23 qualified person under Section 485A.201.

24 Sec. 485A.003. JURISDICTION OF MUNICIPALITY. For the
25 purposes of this chapter, territory in the extraterritorial
26 jurisdiction of a municipality is considered to be in the
27 jurisdiction of the municipality.

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

2 SUBCHAPTER B. OFFICE POWERS AND DUTIES IN GENERAL

3 Sec. 485A.051. GENERAL POWERS AND DUTIES. (a) Except as
4 provided by Subsection (b), the office shall administer and monitor
5 the implementation of this chapter.

6 (b) The office and the comptroller's office shall jointly
7 establish criteria and procedures for:

8 (1) approving a qualified area recognized as a media
9 production development zone by a nominating body;

10 (2) designating a qualified location in a media
11 production development zone as a qualified media production
12 location; and

13 (3) certifying a person as a qualified person under
14 Section 485A.201.

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

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

20 (1) evaluates the effectiveness of the media
21 production development zone program; and

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

24 Sec. 485A.054. ASSISTANCE. The office shall provide to
25 persons desiring to construct, expand, maintain, improve, or
26 renovate a media production facility in a qualified media
27 production location information and appropriate assistance

1 relating to the required legal authorization, including a permit,
2 certificate, approval, and registration, necessary in this state to
3 accomplish that objective.

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

5 SUBCHAPTER C. APPROVAL OF MEDIA PRODUCTION DEVELOPMENT ZONE AND
6 DESIGNATION OF QUALIFIED MEDIA PRODUCTION LOCATIONS

7 Sec. 485A.101. CRITERIA FOR MEDIA PRODUCTION DEVELOPMENT
8 ZONE RECOGNITION. To be approved as a media production development
9 zone, an area:

10 (1) must be in a metropolitan area, the principal
11 municipality of which:

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

13 (B) has the adequate workforce, infrastructure,
14 facilities, or resources to support the production and completion
15 of moving image projects;

16 (2) must be recognized as a media production
17 development zone by ordinance or order, as appropriate, of a
18 municipality or the commissioners court of a county; and

19 (3) will contain a qualified media production location
20 within its geographical boundaries that meets the criteria under
21 Section 485A.102.

22 Sec. 485A.102. CRITERIA FOR QUALIFIED MEDIA PRODUCTION
23 LOCATION DESIGNATION. To be designated a qualified media
24 production location, a location must be land or other real property
25 that is in a media production development zone and will:

26 (1) be used exclusively to build or construct one or
27 more media production facilities;

1 (2) if the real property is a building or other
2 facility, be renovated solely for the purpose of being converted
3 into one or more media production facilities; or

4 (3) if the real property consists solely of one or more
5 media production facilities, be improved or renovated for that
6 purpose or will be expanded into one or more additional media
7 production facilities.

8 Sec. 485A.103. MAXIMUM NUMBER OF ZONES AND LOCATIONS
9 THROUGHOUT STATE. (a) There may not be more than 10 media
10 production development zone designations under this chapter at any
11 one time.

12 (b) There may not be more than five media production
13 development zones under this chapter in a region at any one time.

14 (c) Each media production development zone may not contain
15 more than three media production locations at any one time.

16 (d) For purposes of Subsection (b), the office shall divide
17 the state into regions consisting of geographical boundaries
18 prescribed by office rule.

19 Sec. 485A.104. NOMINATION OF QUALIFIED MEDIA PRODUCTION
20 LOCATION. (a) The governing body of a municipality or county,
21 individually or in combination with other municipalities or
22 counties, by ordinance or order, as appropriate, may nominate as a
23 qualified media production location a location within its
24 jurisdiction that meets the criteria under Section 485A.102.

25 (b) The governing body of a county may not nominate
26 territory in a municipality, including extraterritorial
27 jurisdiction of a municipality, to be included in a proposed

1 qualified media production location unless the governing body of
2 the municipality also nominates the territory and together with the
3 county files a joint application under Section 485A.106.

4 Sec. 485A.105. NOMINATING ORDINANCE OR ORDER. An ordinance
5 or order nominating a location as a qualified media production
6 location must:

7 (1) describe precisely both the media production
8 development zone in which the location is to be included and the
9 proposed location by a legal description or reference to municipal
10 or county boundaries;

11 (2) state a finding that the location meets the
12 requirements of this chapter and that the media production
13 development zone in which the location is to be included has been
14 recognized as a zone by ordinance or order, as appropriate, by the
15 nominating body;

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

19 (4) contain a brief description of the project or
20 activity to be conducted by a qualified person at the location;

21 (5) nominate the location as a qualified media
22 production location; and

23 (6) contain an economic impact analysis from an
24 economic expert.

25 Sec. 485A.106. APPLICATION FOR DESIGNATION. (a) For a
26 location in a media production development zone to be designated as
27 a qualified media production location, the nominating body, after

1 nominating the location as a qualified media production location,
2 must send to the office a written application for designation of the
3 location in the zone as a qualified media production location.

4 (b) The application must include:

5 (1) a certified copy of the ordinance or order, as
6 appropriate, nominating the location as a media production
7 location;

8 (2) a certified copy of the ordinance or order, as
9 appropriate, recognizing the zone in which the location is to be
10 included as a media production development zone;

11 (3) appropriate supporting documents demonstrating
12 that the location qualifies for designation as a qualified media
13 production location;

14 (4) an estimate of the economic impact of the
15 designation of the location as a qualified media production
16 location on the revenues of the governmental entity or entities
17 nominating the location as a qualified media production location,
18 considering the financial incentives and benefits contemplated;

19 (5) an economic impact analysis of the proposed
20 project or activities to be conducted at the proposed qualified
21 media production location, which must include:

22 (A) an estimate of the amount of revenue to be
23 generated to the state by the project or activity;

24 (B) an estimate of any secondary economic
25 benefits to be generated by the project or activity;

26 (C) an estimate of the amount of state taxes to be
27 exempted, as provided by Sec. 151.3415, Tax Code; and

1 (D) any other information required by the
2 comptroller for purposes of making the certification required by
3 Section 485A.109(b); and

4 (6) any additional information the office requires.

5 (c) Information required by Subsection (b) is for
6 evaluation purposes only.

7 (d) The economic impact analysis required by Subsection
8 (b)(5) must also be submitted to the comptroller.

9 Sec. 485A.107. ADVISORY COMMITTEE. (a) The media
10 production advisory committee is composed of the following members:

11 (1) the director of the Texas Film Commission division
12 of the governor's office;

13 (2) one representative of the comptroller's office,
14 appointed by the comptroller; and

15 (3) subject to Subsection (b), nine representatives
16 appointed by the comptroller.

17 (b) In making appointments to the advisory committee under
18 Subsection (a)(3), the comptroller shall provide for a balanced
19 representation of the different geographic regions of this state.
20 Each of the following types of companies or organizations must be
21 represented by at least one member serving on the advisory
22 committee:

23 (1) animation production companies;

24 (2) film and television production companies;

25 (3) labor or workforce organizations;

26 (4) equipment vendors;

27 (5) the video gaming industry; and

1 (6) commercial production companies.

2 (c) The director of the Texas Film Commission division of
3 the office of the governor serves as the presiding officer of the
4 advisory committee. The advisory committee shall meet at the call
5 of the presiding officer.

6 (d) The advisory committee, through review of applications
7 submitted under Section 485A.108, shall make recommendations to the
8 office for designation of qualified media production locations
9 under this subchapter. The office may provide administrative
10 support to the advisory committee.

11 (e) Section 2110.008 does not apply to the advisory
12 committee.

13 Sec. 485A.108. REVIEW OF APPLICATION. (a) On receipt of
14 an application for the designation of a qualified media production
15 location, the office shall review the application to determine
16 whether the nominated location qualifies for designation as a
17 qualified media production location under this chapter.

18 (b) The office shall consider recommendations submitted by
19 the media production advisory committee with respect to
20 applications received by the office.

21 Sec. 485A.109. DESIGNATION. (a) If the office determines
22 that a nominated location for which a designation application has
23 been received satisfies the criteria under Section 485A.102 and on
24 recommendation of the media production advisory committee, the
25 office may designate the nominated location as a qualified media
26 production location unless the office determines that the
27 designation request should be denied for the reasons specified by

1 Section 485A.110.

2 (b) A designation of a qualified media production location
3 may not be made under this section until the comptroller, based on
4 an evaluation of the economic impact analysis submitted under
5 Section 485A.106(b)(5), certifies that the project or activity to
6 be conducted at the designated location will have a positive impact
7 on state revenue.

8 (c) On designation of the first qualified media production
9 location in a media production development zone recognized by the
10 nominating body for that purpose, the office shall simultaneously
11 approve the media production development zone.

12 Sec. 485A.110. DENIAL OF APPLICATION; NOTICE. (a) The
13 office shall deny an application for the designation of a qualified
14 media production location if:

15 (1) the office determines that the nominated
16 location does not satisfy the criteria under Section 485A.102;

17 (2) the office determines that the number of media
18 production location designations or number of approved media
19 production development zones at the time of the application are at
20 the maximum limit prescribed by Section 485A.103; or

21 (3) the comptroller has not certified that the
22 proposed project or activity to be conducted at the location will
23 have a positive impact on state revenue.

24 (b) The office shall inform the nominating body of the
25 specific reasons for denial of an application under this section.

26 Sec. 485A.111. PERIOD OF APPROVAL OR DESIGNATION. (a) An
27 area that qualifies under this subchapter may be approved by the

1 office as a media production development zone for a maximum of five
2 years after the date that last qualified media production location
3 was designated within the zone's boundaries.

4 (b) A location may be designated as a qualified media
5 production location, and may be eligible for the sales and use tax
6 exemption as provided by Section 151.3415, Tax Code, for a maximum
7 of two years.

8 (c) Except as provided by Section 485A.112, a media
9 production development zone approval and qualified media
10 production location designation remains in effect until September 1
11 of the final year of the approval or designation, as appropriate.

12 Sec. 485A.112. REMOVAL OF APPROVAL OR DESIGNATION.

13 (a) The office may remove the approval of an area recognized as a
14 media production development zone if the area no longer meets the
15 criteria for that recognition under this chapter or by office rule
16 adopted under this chapter.

17 (b) The office may remove the designation of a location as a
18 qualified media production location if the location no longer meets
19 the criteria for that designation under this chapter or by office
20 rule adopted under this chapter.

21 (c) The removal of a designation or approval does not affect
22 the validity of a tax incentive granted or accrued before the
23 removal.

24 [Sections 485A.113-485A.150 reserved for expansion]

25 SUBCHAPTER D. ADMINISTRATION OF MEDIA PRODUCTION LOCATION

26 Sec. 485A.151. ANNUAL REPORT. (a) For purposes of this
27 section, the governing body of a qualified media production

1 location is the governing body of the municipality or county, or the
2 governing bodies of the combination of municipalities or counties,
3 that applied to have the location designated as a qualified media
4 production location.

5 (b) Not later than October 1 of each year, the governing
6 body of a qualified media production location shall submit to the
7 office a report in the form prescribed by the office.

8 (c) The report must include for the year preceding the date
9 of the report:

10 (1) the use of local incentives for which the
11 governing body provided in the ordinance or order nominating the
12 qualified media production location and the effect of those
13 incentives on revenue;

14 (2) the number of qualified persons engaging in a
15 project or activity related to a media production facility at the
16 qualified media production location; and

17 (3) the types of projects or activities engaged or to
18 be engaged in by qualified persons at the qualified media
19 production location.

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

21 SUBCHAPTER E. QUALIFIED PERSON DESIGNATION AND CERTIFICATION

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

27 (1) will build or construct one or more media

1 production facilities at a location;

2 (2) will renovate a building or facility solely for
3 the purpose of being converted into one or more media production
4 facilities at a location; or

5 (3) will renovate or expand one or more media
6 production facilities at a location.

7 Sec. 485A.202. PROHIBITION ON QUALIFIED PERSON
8 CERTIFICATION. If the office determines that the nominating body
9 of a qualified media production location is not complying with this
10 chapter, the office shall prohibit the certification of a qualified
11 person at the location until the office determines that the
12 nominating body is complying with this chapter.

13 Sec. 485A.203. DURATION OF DESIGNATION. Except as provided
14 by Section 485A.204, the office's certification of a person as a
15 qualified person is effective until the second anniversary of the
16 date the designation is made, regardless of whether the designation
17 of the qualified media production location at which the qualified
18 person is to perform its commitments under this chapter is
19 terminated before that date.

20 Sec. 485A.204. REMOVAL OF DESIGNATION. The office shall
21 remove the certification of a qualified person for state benefits
22 under this chapter if the office determines that the construction,
23 renovation, improvement, maintenance, or expansion of a media
24 production facility has not been completed at the qualified media
25 production location for which it has received its certification
26 within the period prescribed by Section 485A.201.

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

1 SUBCHAPTER F. MEDIA PRODUCTION LOCATION BENEFITS

2 Sec. 485A.251. EXEMPTION FROM SALES AND USE TAX. Certain
3 items are exempt from the sales and use tax as provided by Section
4 151.3415, Tax Code.

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

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

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

12 (1) is not willing to cooperate with the office in
13 providing information needed by the office to make the
14 determination under Subsection (a);

15 (2) has substantially failed to follow through on the
16 commitments made by the person under this chapter before the first
17 anniversary of the date of the qualified media production location
18 designation; or

19 (3) fails to submit the report required by Section
20 151.3415, Tax Code.

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

23 Sec. 151.3415. ITEMS SOLD TO OR USED TO CONSTRUCT,
24 MAINTAIN, EXPAND, IMPROVE, EQUIP, OR RENOVATE MEDIA PRODUCTION
25 FACILITIES AT MEDIA PRODUCTION LOCATIONS; REPORT. (a) In this
26 section, "qualified person" and "qualified media production
27 location" have the meanings assigned by Section 485A.002,

1 Government Code.

2 (b) The sale, lease, or rental of a taxable item to a
3 qualified person is exempted from the taxes imposed by this chapter
4 for a maximum of two years if the item is used:

5 (1) for the construction, maintenance, expansion,
6 improvement, or renovation of a media production facility at a
7 qualified media production location;

8 (2) to equip a media production facility at a
9 qualified media production location; or

10 (3) for the renovation of a building or facility at a
11 qualified media production location that is to be used exclusively
12 as a media production facility.

13 (c) A qualified person shall submit an annual report to the
14 comptroller regarding the sale, lease, or rental of taxable items
15 for which a tax exemption is granted to the qualified person under
16 this section. The report must be in the form and manner prescribed
17 by the comptroller.

18 (d) The comptroller shall share information from reports
19 submitted under Subsection (c), on request, with the Music, Film,
20 Television, and Multimedia Office within the office of the
21 governor.

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