

By: Watson

S.B. No. 1929

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 structure, building, or room  
6 used for the specific purpose of creating 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. To be designated a media production development  
12 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           Sec. 485A.102. MAXIMUM NUMBER OF ZONE DESIGNATIONS  
13 THROUGHOUT STATE. There may not be more than 10 media production  
14 development zone designations under this chapter at any one time.

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

21           (b) The governing body of a county may not nominate  
22 territory in a municipality, including extraterritorial  
23 jurisdiction of a municipality, to be included in a proposed media  
24 production development zone unless the governing body of the  
25 municipality also nominates the territory and together with the  
26 county files a joint application under Section 485A.105.

27           Sec. 485A.104. NOMINATING ORDINANCE OR ORDER. An ordinance

1 or order nominating an area as a media production development zone  
2 must:

3 (1) describe precisely the area to be included in the  
4 zone by a legal description or reference to municipal or county  
5 boundaries;

6 (2) state a finding that the area meets the  
7 requirements of this chapter;

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

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

13 (5) nominate the area as a media production  
14 development zone.

15 Sec. 485A.105. APPLICATION FOR DESIGNATION. (a) For an  
16 area to be designated as a media production development zone, the  
17 nominating body, after nominating the area as a media production  
18 development zone, must send to the office a written application for  
19 designation of the area as a media production development zone.

20 (b) The application must include:

21 (1) a certified copy of the ordinance or order, as  
22 appropriate, nominating the area as a media production development  
23 zone;

24 (2) appropriate supporting documents demonstrating  
25 that the area qualifies for designation as a media production  
26 development zone;

27 (3) an estimate of the economic impact of the

1 designation of the area as a media production development zone on  
2 the revenues of the governmental entity or entities nominating the  
3 area as a media production development zone, considering the  
4 financial incentives and benefits contemplated; and

5 (4) any additional information the office requires.

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

8 Sec. 485A.106. REVIEW OF APPLICATION. On receipt of an  
9 application for the designation of a media production development  
10 zone, the office shall review the application to determine if the  
11 nominated area qualifies for designation as a media production  
12 development zone under this chapter.

13 Sec. 485A.107. DESIGNATION. If the office determines that  
14 a nominated area for which a designation application has been  
15 received satisfies the criteria under Section 485A.101, the office  
16 may designate the nominated area as a media production development  
17 zone unless the office determines that the designation request  
18 should be denied for the reasons specified by Section 485A.108.

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

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

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

27 (b) The office shall inform the nominating body of the

1 specific reasons for denial of an application under this section.

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

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

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

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

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

15 SUBCHAPTER D. ADMINISTRATION OF MEDIA PRODUCTION DEVELOPMENT ZONE

16 Sec. 485A.151. ANNUAL REPORT. (a) For purposes of this  
17 section, the governing body of a media production development zone  
18 is the governing body of the municipality or county, or the  
19 governing bodies of the combination of municipalities or counties,  
20 that applied to have the area designated as a media production  
21 development zone.

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

25 (c) The report must include for the year preceding the date  
26 of the report:

27 (1) the use of local incentives for which the

1 governing body provided in the ordinance or order nominating the  
2 media production development zone and the effect of those  
3 incentives on revenue;

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

7 (3) the types of projects or activities engaged or to  
8 be engaged in by qualified persons in the media production  
9 development zone.

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

11 SUBCHAPTER E. QUALIFIED PERSON DESIGNATION AND CERTIFICATION

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

17 (1) will build or construct one or more sound stages in  
18 the zone;

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

22 (3) will renovate or expand one or more sound stages in  
23 the zone.

24 Sec. 485A.202. PROHIBITION ON QUALIFIED PERSON  
25 CERTIFICATION. If the office determines that the nominating body  
26 of a media production development zone is not complying with this  
27 chapter, the office shall prohibit the certification of a qualified



1 person in the zone until the office determines that the nominating  
2 body is complying with this chapter.

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

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

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

17 SUBCHAPTER F. MEDIA PRODUCTION DEVELOPMENT ZONE BENEFITS

18 Sec. 485A.251. EXEMPTION FROM SALES AND USE TAX. Certain  
19 items are exempt from the sales and use tax as provided by Section  
20 151.3415, Tax Code.

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

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

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

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

4           (2) has substantially failed to follow through on the  
5 commitments made by the person under this chapter before the first  
6 anniversary of the date of the zone designation; or

7           (3) fails to submit the report required by Section  
8 151.3415, Tax Code.

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

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

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

19           (1) the construction, maintenance, expansion,  
20 improvement, or renovation of a sound stage located in a media  
21 production development zone; or

22           (2) the renovation of a building or facility located  
23 in a media production development zone that is to be used  
24 exclusively as a sound stage.

25           (c) A qualified person shall submit a quarterly report to  
26 the comptroller regarding the sale, lease, or rental of taxable  
27 items for which a tax exemption is granted to the qualified person

1 under this section. The report must be in the form and manner  
2 prescribed by the comptroller.

3 (d) The comptroller shall share information from reports  
4 submitted under Subsection (c), on request, with the Music, Film,  
5 Television, and Multimedia Office within the office of the  
6 governor.

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