



## **H.B. 575**

126th General Assembly  
(As Introduced)

Rep. T. Patton

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### **BILL SUMMARY**

- Authorizes a nonrefundable income tax credit for individuals who invest money in a motion picture production certified by the Director of Development as a state-certified production.
- Provides that the credit is: (1) 15% of an individual's actual investment, if the production company expended \$300,000 to \$8 million in Ohio, or (2) 20% of an individual's actual investment, if the production company expended more than \$8 million in Ohio.

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### **CONTENT AND OPERATION**

#### **The tax credit**

(R.C. 122.85(A), 5747.66, and 5747.98)

Beginning in taxable year 2005, the bill authorizes a nonrefundable income tax credit for a taxpayer who is an individual who invests money in a state-certified production of a motion picture for which a tax credit certificate has been issued by the Director of Development (see "*Certification of motion pictures by the state*," below). A taxpayer cannot obtain the tax credit without a certificate. Under the bill, a "motion picture" is a nationally distributed feature-length film, video, television series, or commercial made in Ohio, in whole or in part, for theatrical or television viewing, or as a television pilot, but does not include the production of television coverage of news and athletic events.

The credit is calculated as a percentage of the individual taxpayer's investment in the state-certified production, according to the total base investment dollars certified for the production, i.e., the actual investment made and expended by a state-certified production in Ohio as production-related costs, as follows:

(1) If the total base investment is greater than \$300,000 and less than or equal to \$8 million, the taxpayer is allowed to claim a credit of 15% of the taxpayer's actual investment;

(2) If the total base investment is greater than \$8 million, the taxpayer is allowed to claim a credit of 20% of the actual investment made by the taxpayer.

The credit must be claimed in the taxable year in which the investment was made. The taxpayer is required to claim the credit in the order required by the bill. The taxpayer may carry forward any credit amount in excess of income tax due, after allowing for all other credits preceding the investment credit in that order. The excess credit, if any, may be carried forward for no more than 10 taxable years following the taxable year for which the credit is first claimed. The total tax credits taken for a state-certified production must never exceed the total base investment for that production.

If the Director of Development or the Tax Commissioner finds that money for which the taxpayer received the credit is not invested in and expended with respect to a state-certified production within 24 months of the date the credit is claimed, the taxpayer's income tax will be increased by the amount necessary to recapture the credit.

**Certification of motion pictures by the state**

(R.C. 122.85)

The bill provides that for the purpose of encouraging the development in Ohio of a strong capital base for motion picture productions in Ohio, the Director of Development may certify a motion picture produced by a motion picture production company as a state-certified production, the investment in the production of which may qualify for the income tax credit authorized by the bill. A "motion picture production company" to which the certification applies is a corporation, partnership, limited liability company, or other business entity engaged in the business of producing motion pictures, but does not include any company owned, affiliated, or controlled, in whole or in part, by any company or person that is in default on a loan made by Ohio or on a loan guaranteed by Ohio.

The bill requires that the Director, in consultation with the Tax Commissioner, adopt rules that establish criteria for determining what motion picture productions qualify as "state-certified productions" for purposes of the tax credit. The rules must require that the motion picture production company be

headquartered in Ohio<sup>1</sup> and that the form and content of applications for certificates include, at a minimum, all of the following information:

- (1) The name and telephone number of the motion picture production company;
- (2) The name and telephone number of the company's contact person;
- (3) A list of the first pre-production date through the last production date in Ohio;
- (4) The Ohio production office address and telephone number;
- (5) The total budget of the motion picture;
- (6) The total expenditures in Ohio;
- (7) The total percentage of the motion picture being shot in Ohio;
- (8) The level of employment of Ohio cast and crew;
- (9) A synopsis of the script;
- (10) A creative elements list that includes the names of the principal cast and crew, and the motion picture's producer and director;
- (11) The motion picture's distribution plan, including domestic and international distribution, and the sales estimates for the picture.

The Director must submit the initial certification of a motion picture production as a state-certified production to the Tax Commissioner, with a unique identifying number for each state-certified production. Upon completion of the production, the Director must review the motion picture production company's production expenses and issue a tax credit certificate to any individual who invested in the production and who may be eligible to claim the tax credit. The tax credit certificate must include the identifying number that was assigned to that state-certified production in the initial certification.

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<sup>1</sup> For purposes of the bill and the rules, a corporation is "headquartered in Ohio" if it is incorporated in Ohio, and a partnership, limited liability company, or other business entity is "headquartered in Ohio" if it is domiciled and headquartered in Ohio.

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## **HISTORY**

ACTION

DATE

Introduced

05-03-06

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