|  | PRINTER'S NO. 463 |
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**THE GENERAL ASSEMBLY OF PENNSYLVANIA**

SENATE BILL

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| No. | 3 | Session of  2024 |

INTRODUCED BY

REFERRED TO FINANCE

AN ACT

Establishing the Pennsylvania Film Production Tax Credit.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Definitions

The following words and phrases when used in this subarticle shall have the meanings given to them in this section unless the context clearly indicates otherwise:

“Department.” The Pennsylvania Department of Revenue.

"Film."  A feature film, a television film, a television talk or game show series, a television commercial or a television pilot or each episode of a television series which is intended as programming for a national audience. The term does not include a production featuring news, current events, weather and market reports, public programming, sports events, awards shows or other gala events, a production that solicits funds, or a production primarily for private, political, industrial, corporate or institutional purposes.

"Minimum stage filming requirements."  Include:

(1)  Taxpayers with a Pennsylvania production expense of less than $50,000,000 per production must:

(i)  build at least one set at a qualified production facility;

(ii)  shoot for a minimum of 15 days at a qualified production facility; and

(iii)  spend or incur a minimum of $2,000,000 in direct expenditures relating to the use or rental of tangible property or for performance of services provided by a qualified production facility.

(2)  Taxpayers with a Pennsylvania production expense of at least $50,000,000 per production must:

(i)  build at least two sets at a qualified production facility;

(ii)  shoot for a minimum of 30 days at a qualified production facility; and

(iii)  spend or incur a minimum of $10,000,000 in direct expenditures relating to the use or rental of tangible property at or for performance of services provided by a qualified production facility.

"Qualified Postproduction expense."   If Pennsylvania postproduction expenses comprise at least 40% of the film's total production expenses. A postproduction expense of original content for a film as follows:

(1)  The term includes traditional, emerging and new work-flow techniques used in postproduction for any of the following:

(i)  Picture, sound and music editorial, rerecording and mixing.

(ii)  Visual effects.

(iii)  Animation.

(iv)  Musical composition.

(v)  The purchase of music rights if the

purchase is from a resident of this Commonwealth.

(2)  The term does not include any of the following:

(i)  Editing previously produced content for a film.

(ii)  News or current affairs.

(iii)  Talk shows.

(iv)  Instructional videos.

"Production expense."  If Pennsylvania production expenses comprise at least 60% of the film's total production expenses. A production expense of original content for a film as follows:

(i)  Compensation paid to an individual employed in the production of the film.

(ii)  Payment to a personal service corporation or a pass-through entity representing individual talent.

(iii)  The costs of construction, operations, editing, photography, sound synchronization, lighting, wardrobe and accessories.

(iv)  The cost of leasing vehicles.

(v)  The cost of transportation to or from a train station, bus depot or airport.

(vi)  The cost of insurance coverage.

(vii)  The costs of food and lodging.

(viii)  The purchase of music or story rights.

(ix)  The cost of rental of facilities and equipment.

(2)  The term does not include expenses incurred in marketing or advertising a film.

“Tax Credit.” The Pennsylvania Film Production Tax Credit.

Section 2. Credit for qualified film production expenses.

(a)  Application.--A taxpayer may apply to the department for a tax credit under this section.

(b)  Review and approval.--The department shall establish application periods not to exceed 90 days each. All applications received during the application period shall be reviewed and evaluated by the department based on the following criteria:

(1)  The anticipated number of production days in a qualified production facility.

(2)  The anticipated number of Pennsylvania employees.

(3)  The number of preproduction days through postproduction days in Pennsylvania.

(4)  The anticipated number of days spent in Pennsylvania hotels.

Section 3. Issuance of Tax Credit.

1. Upon determining the taxpayer has incurred or will incur qualified film production expenses, the department may approve the taxpayer for a tax credit. Applications not approved may be reviewed and considered in subsequent application periods. The department may approve a taxpayer for a tax credit based on its evaluation of the criteria under this subsection.
2. If the department approves the taxpayer's application, the department and the taxpayer shall enter into a contract containing the following:

(1)  An itemized list of production expenses incurred or to be incurred for the film.

(2)  An itemized list of Pennsylvania production expenses incurred or to be incurred for the film.

(3)  With respect to a contract entered into prior to completion of production, a commitment by the taxpayer to incur the qualified film production expenses as itemized.

(4)  The start date and anticipated end date.

(5)  Any other information the department deems appropriate.

Section 4. Limitations

1. Cap.--In no case shall the total amount of tax credits awarded in any fiscal year under this $200,000,000.
2. Pennsylvania film producer reserve.--The department shall annually reserve and allocate $20,000,000 of the tax credits authorized in support of projects produced by a Pennsylvania film producer.

Section 5. Penalty

1. A taxpayer which claims a tax credit and fails to incur the amount of qualified film production expenses agreed to for a film in that taxable year shall repay to the Commonwealth the amount of the film production tax credit claimed for the film.

Section 6. This act shall take effect immediately.