

BILL ANALYSIS

Senate Research Center
81R10452 CLG-D

S.B. 1929
By: Watson
Economic Development
4/16/2009
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas is working to maintain and strengthen its film production industry in the face of strong competition from other states. Soundstages and other production facilities would be key assets in this effort, and the state needs more of them.

As proposed, S.B. 1929 creates incentives to allow film production facilities to be built more easily in Texas and develop necessary infrastructure to make the state's film industry more competitive.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Music, Film, Television, and Multimedia Office in SECTION 1 (Section 485A.052, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subtitle F, Title 4, Government Code, by adding Chapter 485A, as follows:

CHAPTER 485A. MEDIA PRODUCTION DEVELOPMENT ZONES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 485A.001. SHORT TITLE. Authorizes this chapter to be cited as the Media Production Development Zone Act.

Sec. 485A.002. DEFINITIONS. Defines "media production development zone," "moving image project," "nominating body," "office," "qualified person," and "sound stage."

Sec. 485A.003. JURISDICTION OF MUNICIPALITY. Provides that territory in the extraterritorial jurisdiction of a municipality, for the purposes of this chapter, is considered to be in the jurisdiction of the municipality.

[Reserves Sections 485A.004-485A.050 for expansion.]

SUBCHAPTER B. OFFICE POWERS AND DUTIES IN GENERAL

Sec. 485A.051. GENERAL POWERS AND DUTIES. (a) Requires the Music, Film, Television, and Multimedia Office (office) to establish criteria and procedures for designating a qualified area as a media production development zone (development zone) and for certifying a person as a qualified person under Section 485A.201.

Sec. 485A.052. RULEMAKING AUTHORITY. Requires the office to adopt rules necessary to implement this chapter.

Sec. 485A.053. ANNUAL REPORT. Requires the office, on or before December 15 of each year, to submit to the governor, the legislature, and the Legislative Budget Board a report that evaluates the effectiveness of the development zone program and describes the use of state and local incentives under this chapter and their effect on revenue.

Sec. 485A.054. ASSISTANCE. Requires the office to provide to persons desiring to construct, expand, maintain, improve, or renovate a sound stage in a development zone information and appropriate assistance relating to the required legal authorization, including a permit, certificate, approval, and registration, necessary in this state to accomplish that objective.

[Reserves Sections 485A.055-485A.100 for expansion.]

SUBCHAPTER C. DESIGNATION OF MEDIA PRODUCTION DEVELOPMENT ZONE

Sec. 485A.101. CRITERIA FOR MEDIA PRODUCTION DEVELOPMENT ZONE DESIGNATION. Requires an area, to be designated a development zone, to be land or other real property that will be used, renovated, or improved; is located in a certain metropolitan area; is included and designated in certain legislation; and is to be nominated as a development zone by an ordinance or order adopted by the nominating body.

Sec. 485A.102. MAXIMUM NUMBER OF ZONE DESIGNATIONS THROUGHOUT STATE. Prohibits there being more than 10 development zone designations under this chapter at any one time.

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

(b) Prohibits the governing body of a county from nominating territory in a municipality, including extraterritorial jurisdiction of a municipality, from being included in a proposed development zone unless the governing body of the municipality also nominates the territory and together with the county files a joint application under Section 485A.105.

Sec. 485A.104. NOMINATING ORDINANCE OR ORDER. Requires an ordinance or order nominating an area as a development zone to describe precisely the area to be included in the zone by a legal description or reference to municipal or county boundaries; state a finding that the area meets the requirements of this chapter; summarize briefly the local financial incentives, including tax incentives that at the election of the nominating body will apply to a qualified person; contain a brief description of the project or activity to be conducted by a qualified person in the area; and nominate the area as a development zone.

Sec. 485A.105. APPLICATION FOR DESIGNATION. (a) Requires the nominating body, for an area to be designated as a development zone, after nominating the area as a development zone, to send to the office a written application for designation of the area as a development zone.

(b) Requires that the application include a certified copy of the ordinance or order, as appropriate, nominating the area as a development zone; appropriate supporting documents demonstrating that the area qualifies for designation as a development zone; an estimate of the economic impact of the designation of the area as a development zone on the revenues of the governmental entity or entities nominating the area as a development zone, considering the financial incentives and benefits contemplated; and any additional information the office requires.

(c) Provides that information required by Subsection (b) is for evaluation purposes only.

Sec. 485A.106. REVIEW OF APPLICATION. Requires the office, on receipt of an application for the designation of a development zone, to review the application to

determine if the nominated area qualifies for designation as a development zone under this chapter.

Sec. 485A.107. DESIGNATION. Authorizes the office, if the office determines that a nominated area for which a designation application has been received satisfies the criteria under Section 485A.101, to designate the nominated area as a development zone unless the office determines that the designation request should be denied for the reasons specified by Section 485A.108.

Sec. 485A.108. DENIAL OF APPLICATION; NOTICE. (a) Requires the office to deny an application for the designation of a development zone if the office determines that the nominated area does not satisfy the criteria under Section 485A.101 or the number of development zone designations at the time of the application is at the maximum limit prescribed by Section 485A.102.

(b) Requires the office to inform the nominating body of the specific reasons for denial of an application under this section.

Sec. 485A.109. PERIOD OF DESIGNATION. (a) Authorizes an area to be designated as a development zone for a maximum of five years.

(b) Provides that a development zone designation, except as provided by Section 485A.110, remains in effect until September 1 of the final year of the designation.

Sec. 485A.110. REMOVAL OF DESIGNATION. (a) Authorizes the office to remove the designation of an area as a development zone if the area no longer meets the criteria for designation under this chapter or by office rule adopted under this chapter.

(b) Provides that the removal of a designation does not affect the validity of a tax incentive granted or accrued before the removal.

[Reserves Sections 485A.111-485A.150 for expansion.]

SUBCHAPTER D. ADMINISTRATION OF MEDIA PRODUCTION DEVELOPMENT ZONE

Sec. 485A.151. ANNUAL REPORT. (a) Provides that the governing body of a development zone, for the purposes of this section, is the governing body of the municipality or county, or the governing bodies of the combination of municipalities or counties, that applied to have the area designated as a development zone.

(b) Requires the governing body of the development zone, not later than October 1 of each year, to submit to the office a report in the form prescribed by the office.

(c) Sets forth information for the year preceding the date of the report that is required to be included in the report.

[Reserves Sections 485A.152-485A.200 for expansion.]

SUBCHAPTER E. QUALIFIED PERSON DESIGNATION AND CERTIFICATION

Sec. 485A.201. QUALIFIED PERSON. Provides that a person is a qualified person if the office, for the purpose of state benefits under this chapter, or the nominating body of a development zone, for the purpose of local benefits, certifies that the person, not later than 18 months after the date of the zone designation will build or construct one or more sound stages in the zone, will renovate a building or facility solely for the purpose of being converted into one or more sound stages in the zone, or will renovate or expand one or more sound stages in the zone.

Sec. 485A.202. PROHIBITION ON QUALIFIED PERSON CERTIFICATION. Requires the office, if the office determines that the nominating body of a development zone is not complying with this chapter, to prohibit the certification of a qualified person

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

Sec. 485A.203. DURATION OF DESIGNATION. Provides that the office's certification of a person as a qualified person, except as provided by Section 485A.204, is effective until the fifth anniversary of the date the designation is made, regardless of whether the development zone in which the qualified person is to perform its commitments under this chapter is terminated before the date.

Sec. 485A.204. REMOVAL OF DESIGNATION. Requires the office to remove the certification of a qualified person for state benefits under this chapter if the office determines that the construction, renovation, improvement, maintenance, or expansion of a sound stage has not been completed in the development zone within the period described by Section 485A.201.

[Reserves Section 485A.205-485A.250 for expansion.]

SUBCHAPTER F. MEDIA PRODUCTION DEVELOPMENT ZONE BENEFITS

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

Sec. 485A.252. MONITORING QUALIFIED PERSON COMMITMENTS. (a) Authorizes the office to monitor a qualified person to determine whether and to what extent the qualified person has followed through on the commitments made by the qualified person under this chapter.

(b) Authorizes the office to determine that the qualified person is not entitled to a tax exemption under Section 151.3415, Tax Code, if the office determines that the qualified person is not willing to cooperate with the office in providing information needed by the office to make the determination under Subsection (a), has substantially failed to follow through on the commitments made by the person under this chapter before the first anniversary of the date of the zone designation, or fails to submit the report required by Section 151.3415, Tax Code.

SECTION 2. Amends Subchapter H, Chapter 151, Tax Code, by adding Section 151.3415, as follows:

Sec. 151.3415. ITEMS SOLD TO OR USED TO CONSTRUCT, MAINTAIN, EXPAND, IMPROVE, OR RENOVATE SOUND STAGE IN MEDIA PRODUCTION DEVELOPMENT ZONES; REPORT. (a) Defines "qualified person" and "media production development zone."

(b) Provides that the sale, lease, or rental of a taxable item to a qualified person is exempted from the taxes imposed by this chapter if the item is used for the construction, maintenance, expansion, improvement, or renovation of a sound stage located in a development zone or the renovation of a building or facility located in a development zone that is to be used exclusively as a sound stage.

(c) Requires a qualified person to submit a quarterly report to the comptroller regarding the sale, lease, or rental of taxable items for which a tax exemption is granted to the qualified person under this section. Requires that the report be in the form and manner prescribed by the comptroller.

(d) Requires the comptroller to share information from reports submitted under Subsection (c), on request, with the office within the office of the governor.

SECTION 3. Effective date: September 1, 2009.