HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 451 Entertainment Industry
SPONSOR(S): Finance and Tax Committee; Miller and others
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Finance & Tax Committee	12 Y, 5 N, As CS	Pewitt	Langston
2) Economic Affairs Committee	12 Y, 5 N	Lukis	Creamer

SUMMARY ANALYSIS

The bill proposes significant modifications to the current incentives and benefits the state offers for companies within the film and entertainment industry. Florida law currently offers such companies, pending qualification, certain tax credits and certain tax exemptions. The bill modifies the processes by which companies may receive such tax credits.

Division of Film and Entertainment

Currently, the Office of Film and Entertainment ("office") is housed within the Department of Economic Opportunity ("department"). The bill changes the name of the office to the "Division of Film and Entertainment" ("division") and houses the division within the Enterprise Florida, Inc. In addition, among other modifications, the bill proposes changes relating to the hiring of the division's commissioner and the requirements of the division's strategic plan, and repeals the Florida Film and Entertainment Advisory Council.

Entertainment Industry Financial Incentive Economic Development Tax Credit Program

The bill proposes many changes to the current Entertainment Industry Financial Incentive Program. Some of the proposed changes include the following:

- amending the application and certification process for tax credits to be prioritized based on the expected economic benefit of an applicant's production;
- creating two application cycles per fiscal year, which consist of an application deadline and review period;
- limiting the certification of credits to up to 50 percent for the first application cycle of a fiscal year;
- limiting the department's ability to certify tax credits for a fiscal year to no more than the allocated tax credits for that fiscal year; and
- removing availability for certain additional tax credit awards.

Qualified Production Company Sales and Use Tax Exemption

The bill modifies and clarifies certain aspects and requirements related to sales and use tax exemptions for qualified production companies.

The bill has no fiscal impact.

The bill has an effective date of July 1, 2015.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Background on Florida's Film and Entertainment Industry

Florida has a long history in hosting film and television productions—from film productions like *Where the Boys Are, Tarzan*, *Days of Thunder, The Truman Show*, *Scarface*, *Caddyshack, Indiana Jones and the Temple of Doom, Armageddon, The Birdcage,* and *2 Fast 2 Furious*, to television productions like *Miami Vice*, *Flipper*, *CSI: Miami, Dexter, Miami Ink, Burn Notice, 8th and Ocean, Kourtney & Kim Take Miami, The Real Housewives of Miami,* and *The Glades.*[1] Florida has also hosted the production of various television episodes, commercials, telenovelas, and award shows.

In addition, Florida is host to many Univision and Telemundo studios and production facilities.[2] Univision is the largest Spanish-speaking television network in the world, and Telemundo is one of the nation's fastest growing Spanish-language broadcast networks. Telemundo also produces original theatrical motion pictures, news and sports broadcasts.[3]

Further, Florida is home to numerous digital media developers and publishers, including Electronic Arts ("EA") Tiburon, a major studio for the world's largest video game developer, as well as 360ed, n-SPACE, and Firebrand Games.[4] Many digital media developers and publishers occupy Florida's "high-tech corridor," which comprises of 23 counties and is connected by research universities, economic development organizations, educational institutions, workforce boards, industry groups, and innovative gaming companies.[5] Notably, the corridor is home to the University of Central Florida's graduate video game design school.[6]

Presently, Florida ranks third in the nation for its number of film and television productions.[7] Additionally, in 2013, the Department of Economic Opportunity's ("department" or "DEO") Bureau of Labor Market Statistics collected the following employment information about Florida's film and entertainment industry:[8]

- in 2013, there were 4,446 established businesses in Florida's film and entertainment industry employing 22,545 individuals;
- the average wage of such employees was $70,996, which exceeds the state's annual average wage for all industries of $43,651 by 62.6 percent;
- the largest sector of the film and entertainment industry was television broadcasting with 8,212 Floridians employed; and
- the sector of the film and entertainment industry with the highest annual average wage ($98,764) was motion picture and video distribution.

The Office of Film and Entertainment

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1 Motion Picture Association of America, *Economic and Social Impacts of the Florida Film and Entertainment Industry Financial Incentive Program* at 11. March 2013. On file with staff.
2 *Id.*
3 *Id.*
4 *Id*. (For more information on Florida's high-tech corridor, visit: www.floridahightech.com.
5 *Id.*
6 *Id.*
7 Office of Economic and Demographic Research, *Return on Investment for the Entertainment Industry Incentive Programs*, at 4. (January 2015). On file with staff.
8 Florida Office of Film and Entertainment, Fiscal Year 2013-2014 Annual Report, at 3. (November 1, 2014). On file with staff.

The Office of Film and Entertainment ("OFE"), which is administratively housed within DEO, serves to develop, market, and promote Florida's entertainment industry.[9] In doing so, some of OFE's responsibilities include the following:

- developing a five-year strategic plan to guide its activities, which OFE updates annually and aligns with DEO's Strategic Plan for Economic Development;
- serving as a liaison between the industry and government entities;
- assisting in facilitating access to filming locations;
- gathering statistical information related to the state's entertainment industry;
- providing information and services to businesses, communities, organizations, and individuals engaged in entertainment industry activities;
- administering field offices outside the state; and
- coordinating with the over 60 local film offices throughout the state, which are predominantly organized and maintained by county and municipal governments, local chambers of commerce, economic development councils, convention and visitors' bureaus, and tourist development councils.[10, 11]

The Commissioner of Film and Entertainment ("Commissioner") leads OFE and is hired by DEO's executive director pursuant to a national search for the most qualified candidate.[12] Among other qualifications, the Commissioner must have a working knowledge of the day-to-day production operations of the film and entertainment industries, possess marketing and promotion experience related to such industries, have experience working with a variety of individuals representing large and small entertainment-related entities, and have experience working with state and local governmental agencies.[13]

To assist OFE and its Commissioner, the Florida Legislature created the Florida Film and Entertainment Advisory Council ("advisory council"),[14] which is composed of 17 members and three ex officio nonvoting members.[15] Of the 17 voting members, the Governor appoints seven, and the President of the Senate and Speaker of the House of Representatives each appoint five.[16] The three ex officio nonvoting members each represent Enterprise Florida, Inc., Workforce Florida, Inc. (now "CareerSource Florida, Inc."), and the Florida Tourism Industry Marketing Corporation (commonly referred to as "VISIT Florida"), respectively.[17] The advisory council provides OFE and DEO with industry insight and assists in the creation of OFE's five-year strategic plan.[18]

OFE has an operating budget of $400,000 and employs five full-time staff members, including a Los Angeles-based liaison.[19]

Entertainment Industry Financial Incentive Program

Overview

[9] Section 288.1251, F.S. *See also* OFE's website at http://www.filmflorida.com/about/vm.asp (last visited March 12, 2015).
[10] *Id.*
[11] A list of the Florida film commissions is provided on OFE's website at http://www.filminflorida.com/lr/local_film_commissions.asp (last visited March 16, 2015).
[12] Section 288.1251(1), F.S.
[13] *Id.*
[14] Section 4, Ch. 99-251, L.O.F.
[15] Section 288.1252, F.S.
[16] Section 288.1252(3), F.S.
[17] *Id.*
[18] *Id.*
[19] Department of Economic Opportunity Office of Film and Entertainment, *Five-Year Strategic Plan for Economic Development, 2013-2018*, at 10. On file with staff.

Florida's Entertainment Industry Financial Incentive Program ("FTC program" or "program"), which is administered by OFE, provides tax credits for qualified expenditures related to filming and production activities in Florida. The Florida Legislature created the program to encourage the use of Florida "as a site for filming, for the digital production of films, and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production."[20]

The program began as a cash refund incentive subject to an annual appropriation,[21] but in 2010 the Legislature replaced the refund incentive with a transferable tax credit program, available as an offset against liability for the sales and use tax and corporate income tax.[22] These tax credits provide a reduction in taxes due, after verification that statutory or contractual terms have been met.[23]

If recipients of the tax credits are unable to benefit from the credits due to a lack of tax obligation, incentive recipients have the option to monetize the credits by selling them to an entity that does have a tax obligation, either directly or through an intermediary (tax broker), and typically at a discount.[24] Florida law also authorizes the transfer of the credit back to the state for 90 percent of the credit's face value (though this option is currently unavailable as no state funds have been appropriated for this purpose).[25]

Annual credit caps were initially set for five years, from FY 2010-11 through 2014-15, for a total of $242 million. In 2011, the Legislature increased the total to $254 million.[26] In 2012, the Legislature extended the program through FY 2015-16 and authorized an additional $42 million in credits, for a total of $296 million for the six-year period.[27] OFE reports that all of the credits have been certified, and as of September 30, 2014, $119 million of the $296 million have been awarded.[28]

<u>Eligibility and Application</u>

Generally, a production company producing a qualified production in this state may submit an application to OFE for a certification of tax credits based upon estimated qualified expenditures.

Qualified productions are productions that meet the Florida residency requirements provided in s. 288.1251(1)(j), F.S., and do not contain obscene content as defined in s. 847.001(10), F.S. Such productions may include, but are not limited to, the following:

- motion pictures;
- commercials;
- music videos;
- industrial or educational films;
- infomercials;
- documentary films;
- television series; and
- digital media projects (interactive games, digital animation and visual effects).[29]

[20] Section 288.1254(2), F.S.
[21] Section 2, Ch. 2003-81, L.O.F.
[22] Section 28, Ch. 2010-147, L.O.F.
[23] Office of Economic and Demographic Research, *Return on Investment for the Entertainment Industry Incentive Programs*, at 5. (January 2015).
[24] *See supra* note 23. *See* s. 288.1254(5), F.S.
[25] *See supra* note 23. *See* s. 288.1254(6)(a), F.S.
[26] Section 26, Ch. 2011-76, L.O.F.
[27] Section 15, Ch. 2012-32, L.O.F.
[28] *See supra* note 23.
[29] Section 288.1254(1), F.S.

Qualified expenditures include production expenditures[30] incurred by a qualified production in Florida for goods purchased or leased from, or services provided by, a vendor or supplier in Florida that is registered with the Department of State ("DOS") or the Department of Revenue ("DOR") and is doing business in Florida.[31] The vendor or supplier must also have a physical location in the state and employ one or more legal residents of the state. Qualified expenditures also include payments to legal residents of the state in the form of salary, wages, or other compensation up to $400,000 per resident (with certain exceptions). [32]

The applicant for an award of tax credits may not submit its application earlier than 180 days before the first day of principal photography or project start date.[33] The applicant must provide OFE with information required to determine whether the production is a qualified production and to determine the qualified expenditures and other information necessary for the office to determine eligibility for the tax credit.[34] OFE must review the application within 15 days after receipt, and upon determining the application contains all required information, OFE must then qualify the applicant and recommend to the department that the applicant be certified for the maximum tax credit award amount. Within five business days after receiving such recommendation, the department must either reject the recommendation or certify the tax credit award to the applicant and to submit the certification to the executive director of DOR.[35]

In addition, within 90 days after submitting a program application, except with respect to applications in the independent and emerging media queue (explained below), a production must provide proof of project financing to the Office of Film and Entertainment, otherwise the project is deemed denied and withdrawn.[36]

Lastly, current law directs OFE to ensure, as a condition for receiving tax credits, that applicants include in their applications, when appropriate and at no cost to the state, marketing proposals to promote Florida as a tourist destination and entertainment production destination.[37]

FTC Program "Queues"

Priority for tax credit certifications is made on a first-come, first-served based within the appropriate "queue."[38] There are three queues of eligible production: general production queue, commercial and music video queue, and independent and emerging media production queue.[39] The queues are funded as follows:

- 94 percent of the state incentive funding is dedicated to the general production queue;
- three percent is dedicated to the commercial and music video queue; and
- three percent is dedicated to the independent and emerging media production queue.[40]

The following chart demonstrates the basic incentive information relative to each queue:[41]

[30] Section 288.1254, F.S. defines "production expenditures," which may or may not be "qualified."
[31] *Id.*
[32] Section 288.1254(1)(i)2., F.S.
[33] Section 288.1254(3), F.S.
[34] *Id.*
[35] *Id.*
[36] *Id.*
[37] *Id.*
[38] Section 288.1254(4), F.S.
[39] *Id.*
[40] *Id.*
[41] *Id.*

	General Production Queue[42]	Commercial & Music Video Queue	Independent and Emerging Media Production Queue
Minimum amount of qualified expenditures	$625,000	$100,000 per commercial or video *and* exceeds $500,000 combined per FY year	At least $100,000, but not more than $625,000
Amount of basic incentive	20% of qualified expenditures, up to $8 million	20% of qualified expenditures, up to $500,000	20% of qualified expenditures, up to $125,000

In addition to the basic incentives, the program provides for the availability of further tax credits for general production queue projects as listed below.[43] However, notwithstanding any additional credit awards, a production is not eligible for tax credits totaling more than 30 percent of its actual qualified expenses.[44]

- A five percent additional tax credit is available for feature films, independent films, or television series pilots that are "off-season certified," including those that are not able to complete 75 percent of their principal photography due to a hurricane or tropical storm. "Off-season certified" means that the production films 75 percent or more of its principal photography from June 1 to November 30.[45]
- A five percent additional tax credit is available for a production that incurs at least 67 percent of its principal photography days in an "underutilized region," as defined in s. 288.1254(p), F.S.[46]
- A 15 percent additional tax credit is available for productions that employ students enrolled full-time in a film and entertainment-related or digital media related course of study in Florida or recent graduates of such a course of study. The additional 15 percent may only be applied to qualified expenditures related to the wages, salaries, or other compensation paid to such students or graduates for one year after the date of hire.[47]
- A five percent additional tax credit is available for productions that conduct at least 50 percent of their principal photography at a "qualified production facility" as defined in s. 288.1254(m), F.S. The additional five percent may be applied to any qualified expenditures related to production activity at such facility.[48]
- A five percent additional tax credit is available for certain digital media projects or digital animation components of productions, for which 50 percent of the project's qualified expenditures relate to a "qualified digital media production facility" as defined in s. 288.1254(1)(l), F.S. The additional five percent may be applied to any qualified expenditures related to production activity at such facility.[49]

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[42] Under the general production queue, no more than 45 percent of the tax credits can be awarded to television series. First priority in the general production queue for tax credits not yet certified is given to high-impact television series and high-impact digital media projects, in alternating order, depending on the type of the first application received.
[43] *Id.*
[44] Section 288.1254(4)(b)1.g., F.S.
[45] Section 288.1254(4)(b)1.a., F.S.
[46] Section 288.1254(4)(b)1.d., F.S.
[47] Section 288.1254(4)(b)1.e., F.S.
[48] Section 288.1254(4)(b)1.f., F.S.
[49] *Id.*

The program also provides for one "additional" tax credit that applies to all three queues—a credit for "family-friendly" productions.[50] A "family friendly" production is a theatrical or direct-to-video motion picture or video game that has cross-generational appeal, is suitable for viewing by a child age five and older, embodies a responsible resolution of issues, is appropriate for a broad family audience, and does not exhibit any act of smoking, sex, nudity, or vulgar or profane language.[51] OFE, with advice from the advisory council, determines if a production is family friendly.[52] Family-friendly productions are eligible for an additional tax credit equal to five percent of the production's actual qualified expenditures.[53]

<u>Award of Tax Credits</u>

After production ends and all certified expenditures are made, the production company must have an independent certified public accountant licensed in Florida conduct a compliance audit.[54] OFE reviews the audit and reports to DEO the final verified amount of actual qualified expenditures. DEO then reviews and approves the final tax credit award and notifies DOR.[55]

Additionally, after production the law requires the production company to make an irrevocable election to apply the tax credits to corporate income taxes or sales and use taxes or a combination of both.[56] The decision is binding on any distributee, successor, transferee, or purchaser.[57] Tax credits that are unused in any year may be carried forward to the next for a maximum of five years.[58]

Sales Tax Exemption Certificate for a Qualified Production Company

Florida law provides that any production company in this state engaged in the production of motion pictures, made-for-TV motion pictures, television series, commercial advertising, music videos, or sound recordings may submit an application to receive a sales and use tax certificate of exemption from DOR.[59]

The information a production company has to submit on its application must include the following:

- production-related information on employment;
- proposed budgets;
- planned purchases of items exempted from sales and use taxes;
- a signed affirmation from the applicant that any items purchased for which the applicant is seeking a tax exemption are intended for use as an integral part of preproduction, production, or postproduction activities engaged in Florida; and
- a signed affirmation from OFE that the information on the application form has been verified and is correct.[60]

Once DOR awards a certificate of exemption to a production company, the company is exempt from paying sales and use taxes on certain purchases, leases, and sales that relate to the company's productions, which were the basis for the company's eligibility to apply for the certificate.[61] Generally, a

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50 Section 288.1254(4)(b)4., F.S.
51 *Id.*
52 *Id.*
53 *Id.*
54 Section 288.1254(2)(f), F.S.
55 *Id.*
56 Section 288.1254(4)(d), F.S.
57 *Id.*
58 Section 288.1254(4)(e), F.S.
59 Section 288.1258(1), F.S.
60 Section 288.1258(2), F.S.
61 *See* ss. 212.06 and 212.08, F.S.

certificate is valid for one year with the availability of annual renewal up to five years.[62] Once the five year period expires, the production company must re-apply for the certificate.[63]

OFE's Annual Report for Fiscal Year 2013-2014

OFE is required to submit an annual report each November 1 to the Governor, the President of the Senate, and the Speaker of the House of Representatives, which outlines the incentive program's economic benefits to the state.[64] The report must include an estimate of the full-time equivalent positions created by each production that received tax credits under the program and information relating to the distribution of productions receiving credits by geographic region and type of production.[65] The report must also include OFE's expenditures under s. 288.1253, F.S., and information describing the relationship between tax exemptions and incentives to industry growth.[66]

The 2013-2014 annual report includes an analysis of Florida's Entertainment Industry Financial Incentive Program for FY 2013-2014 and for the first four years of the program.[67]

<u>Four-Year Aggregate Program Performance Summary as of June 30, 2014</u>

OFE found the following data about the program for the first four years of the program, from July 1, 2010 to June 30, 2014:

- OFE received and processed 689 applications;
- DEO certified 342 productions for tax credits with projected Florida expenditures of approximately $1.5 billion;
- more than $926 million in wages is associated with the 342 productions;
- the 342 productions created an estimated 171,922 Florida jobs; and
- of the 342 productions, there were 74 motion pictures, 59 digital media productions, 154 television productions, and 55 commercials.[68]

<u>Fiscal Year 2013-2014 Annual Performance Summary</u>

For FY 2013-2014, 146 certified projects completed production, provided OFE with the required audit, or were awarded tax credits. The projected outcomes for the 146 projects include the following:

- 51,130 Florida jobs;
- $275,218,148 in wages for Floridians;
- $483,917,322 in Florida qualified expenditures;
- 77,634 lodging/hotel room nights; and
- 8,927 production days.[69]

The Office of Economic and Demographic Research's Return on Investment Report

As provided by law, the Office of Economic and Demographic Research ("EDR") developed an economic analysis of both the Florida Entertainment Industry Financial Incentive Program ("FTC program") established under s. 288.1254, F.S., and the entertainment industry sales tax exemption

[62] A production company may also apply for a single 90-day certificate. Section 288.1258(3), F.S.
[63] Section 288.1258(3), F.S.
[64] Section 288.1254(10), F.S.
[65] *Id.*
[66] *Id.*
[67] Florida Office of Film and Entertainment, Fiscal Year 2013-2014 Annual Report, at 5-6. (November 1, 2014). On file with staff.
[68] *Id.*
[69] *Id.*

program ("STE program") established under s. 288.1258, F.S.[70] The analyses reviewed each program for Fiscal Year 2010-2011 through 2012-2013.[71]

Florida Entertainment Industry Financial Incentive Program

In its analysis, EDR conducted two scenarios for the FTC program. Under the first scenario, the FTC program generated a positive return on investment ("ROI") of 0.43.[72] That is, the state recovered $0.43 for every dollar it spends on the program.[73] EDR determined the ROI for the first scenario by calculating the tax revenues that resulted from the activity associated with the film and digital media projects that were awarded credits, but included only the cost to the state of those credits redeemed.[74]

Under the second scenario, the FTC program generated a positive ROI of 0.25.[75] EDR determined the ROI for the second scenario by calculating the tax revenues that resulted from the activity associated with the film and digital media projects that were awarded credits, but included the *full cost of the credits to the state*, whether or not they were redeemed during the three year period.[76]

Entertainment Industry Sales Tax Exemption Program

In its analysis, EDR concluded that the STE program generated a positive ROI to the state of 0.54.[77] EDR generated the ROI by calculating the tax revenues that resulted from the activity associated with the film-related, music video and sound recording projects that were awarded credits within the three-year window of the analysis.[78]

Effect of Proposed Changes

Division of Film and Entertainment

The bill renames the Office of Film and Entertainment ("office") to the "Division of Film and Entertainment" ("division") and transfers the office from the Department of Economic Opportunity to Enterprise Florida, Inc.

The bill also makes the following changes related to the Division:

- specifies that the division will serve as a liaison between the entertainment industry and other state and local governmental agencies, local film commissions, and labor organizations;
- specifies that the Governor is responsible for appointing the film and entertainment commissioner;
- specifies that the Enterprise Florida, Inc. board of directors must annually review and approve the office/division's five-year strategic plan;
- makes other modifications to the office/division's strategic plan;
- requires the division to coordinate with EDR when conducting any economic impact analyses; and
- repeals the "Florida Film and Entertainment Advisory Council," the office's primary advisory council.

Entertainment Industry Financial Incentive Economic Development Tax Credit Program

[70] Section 288.0001, F.S.
[71] *See supra* note 23 at 1.
[72] *See supra* note 23 at 2.
[73] *Id.*
[74] *Id.*
[75] *See supra* note 23 at 3.
[76] *Id.*
[77] *See supra* note 23at 2.
[78] *Id.*

The bill makes significant changes to the Entertainment Industry Financial Incentive Program, including renaming the program to the "Entertainment Industry Financial Incentive Economic Development Tax Credit Program" ("tax credit program").

The following subheadings and accompanying descriptions detail such changes.

<u>Definitions</u>

The bill makes the following changes to definitions of terms used in the tax credit program:

- amends the definition of "high-impact television production" to mean either a production series created to run multiple seasons, which has qualified expenditures of at least $1 million per episode, or a telenovela that has qualified expenditures of more than $4.5 million along with a minimum of 45 principal photography days filmed in this state and which has a production cast of which at least 90 percent are legal residents of the state;
- adds "a direct-to-Internet television series" to the definition of "production"; and
- removes from current statutory definitions, "regional population ratio," "regional tax credit ratio," and "underutilized region."

<u>Application Process</u>

The bill provides the following related to the tax credit program's application process:

- The division must establish a process to review and receive applications.
- The Office of Economic and Demographic Research ("EDR") must create or approve a model to be used by the division to determine the expected economic benefit of the proposed production in each application. The expected economic benefit derived from such model must be quantified in a numerical score awarded to the application. Such score will be known as the "production priority score."
- The division must designate two application cycles—application cycle A and application cycle B—for each fiscal year. The application cycles must be at least four months apart and must designate both an application deadline and a review period to immediately follow the deadline.
- During the review period, the division must review each timely received application to ensure such applications are complete. The division must also use the model created or approved by EDR to determine each application's production priority score. Lastly, the division must submit each complete and timely received application along with its production priority score to the Department of Economic Opportunity ("department"). Applications that are not timely received may not carry forward to a subsequent application cycle.
- Within five business days after the completion of an application cycle review period, the department must certify the maximum tax credit award available to each applicant, with priority given to applicants that received the highest production priority score. However, the department may only compare an application's production priority score to applications of the same queue pursuant to s. 288.1254(4).
- The department may only certify up to 50 percent of the credits available in a fiscal year for application cycle A of such fiscal year. The department may certify all remaining tax credits in the fiscal year in application cycle B. In any fiscal year, the department may only certify the amount of tax credits allocated for that fiscal year.
- Upon certification by the department, a production company must provide the division with a single point of contact and information related to the production's need for Florida workforce services. The division must, in turn, publish such information on its website, including the name and location of the production.
- A qualified production company that receives certification for tax credits must include, at no additional cost to the state, a link to the Florida Tourism Industry Marketing Corporation website or another website designated by the department.

Eligibility for Tax Credit Award and Queues

The bill removes the current provision in law that determines priority of tax credit awards on a first-come first-served basis, including the alternate priority given between high-impact television series and high-impact digital media within the general production queue. The bill also does the following:

- removes from statute the availability for an additional five percent tax credit award for a qualified production for which at least 67 percent of its principal photography days occur within a designated underutilized region;
- specifies that a qualified production may receive an additional 15 percent tax credits on qualified expenditures on wages, salaries, or other compensation paid to individuals participating in the road-to-independence program under s. 409.1451, individuals with developmental disabilities as defined in s. 393.063 who reside in this state, and veterans residing in the state; and
- removes the current provision of law which treats applied for credits in a fiscal year in excess of credits available for such fiscal year as having been applied for in the next fiscal year.

Qualified Production Company Sales and Use Tax Exemption

The bill also clarifies and modifies certain application processes for a qualified production to receive a certificate of exemption for the sales and use tax exemptions under ss. 212.031, 212.06, and 212.08.

Under the bill, a qualified production company may submit a new application for a 1-year certificate of exemption upon the expiration of that company's previous certificate of exemption. In addition, upon approval of the department, such qualified production company may annually renew its one-year certificate of exemption for a period of up to five years without submitting a new application during that five-year period. The qualified production company must submit to the department aggregate data for production-related information on employment, expenditures in this state, capital investment, and purchases of items exempted form sales and use taxes under ss. 212.031, 212.06, and 212.08, F.S.

Further, a production company that is qualified for an exemption and which has submitted an application for a 90-day certificate of exemption, may re-submit an application for a 90-day exemption each quarter. In addition, upon approval by the department, a production company that has received a 90-day exemption may renew the exemption for a period of up to one-year without submitting a new application during that one-year period. Each 90 days, production companies that have received 90-day certificate of exemptions, must submit to the department aggregate data for production-related information on employment, expenditures in the state, capital investment, and purchases of items exempted from sales and use taxes under ss. 212.031, 212.06, and 212.08, F.S.

In addition, the bill requires qualified production companies to submit to the department aggregate data for production-related information on employment, expenditures in the state, capital investment, and purchases of items exempted from sales and use taxes under ss. 212.031, 212.06, and 212.08, F.S., all for inclusion in the division's annual report.

B. SECTION DIRECTORY:

Section 1: Amends s. 288.125, F.S., making technical changes to conform the section to new sections of statute created by the bill.

Section 2: Transfers, renumbers, and amends s. 288.1251, F.S., creating the Division of Film and Entertainment within Enterprise Florida, Inc., pursuant to the newly created s. 288.914, F.S.

Section 3: Repeals s. 288.1252, F.S., relating to the Florida Film and Entertainment Advisory Council.

Section 4: Transfers, renumbers, and amends s. 288.1253, F.S., relating to the creation of the Division of Film and Entertainment and the conduct of its employees.

Section 5: Amends s. 288.1254, F.S., significantly modifying the Entertainment Industry Financial Incentive Program pursuant to the newly created s. 288.915, F.S.

Section 6: Amends s. 288.1258, F.S., relating to exemptions for certain sales and use taxes by a qualified production company.

Section 7: Amends s. 288.92, F.S., relating to the addition of Film and Entertainment as a division of Enterprise Florida, Inc.

Section 8: Amends s. 477.0135, F.S., relating to the transfer to Enterprise Florida, Inc. and name change of the Office of Film and Entertainment.

Section 9: Amends s. 212.08(5), F.S., relating to specified exemptions to conform a cross reference.

Section 10: Amends s. 220.1899(3), F.S., relating to the entertainment industry tax credit to conform a cross reference.

Section 11: Provides an effective date of July 1, 2015.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill aims to further develop the film and entertainment industry in Florida.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not require a reduction of the percentage of state tax shared with municipalities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill allows the Department of Economic Opportunity to adopt rules to implement the various provisions in the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES