

SENATE BILL 577

Q3

0lr1584
CF 0lr3097

By: **Senators Guzzone, Griffith, King, and Zucker**

Introduced and read first time: January 31, 2020

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Theatrical Production Tax Credit**

3 FOR the purpose of allowing certain theatrical production entities to claim a credit against
4 the State income tax for certain costs incurred for certain theatrical productions
5 within the State; providing that the total direct costs for a theatrical production
6 activity may not include the wages of an employee if the employee's wages exceed a
7 certain amount; making the credit refundable under certain circumstances;
8 requiring a theatrical production entity to apply to the Department of Commerce to
9 be a qualified theatrical production entity; requiring the Secretary of Commerce to
10 determine if a theatrical production entity qualifies for the credit; requiring that to
11 qualify for the credit certain estimated costs incurred in the State must exceed a
12 certain amount; requiring a qualified theatrical production entity to apply for a tax
13 credit certificate from the Department; requiring the application to include certain
14 information; authorizing the Secretary to provide for the form of the application and
15 to require certain information be verified by a certain independent auditor; requiring
16 the Secretary to determine the total direct costs that qualify for the tax credit and
17 issue a tax credit certificate for a certain percentage of the total direct costs; limiting
18 the total credit amounts for which the Secretary may issue initial tax credit
19 certificates for each fiscal year and for a single entity; requiring the Secretary to
20 notify the Comptroller of the amount of any tax credit certificate issued; requiring
21 that the Department report annually to the Governor and the General Assembly
22 certain information regarding the tax credit and certain economic impacts of the
23 credit; requiring the Department and the Comptroller to jointly adopt certain
24 regulations; defining certain terms; providing for the application of this Act; and
25 generally relating to an income tax credit for certain theatrical productions.

26 BY repealing and reenacting, with amendments,
27 Article – Economic Development
28 Section 2.5–109(a)(4)
29 Annotated Code of Maryland
30 (2018 Replacement Volume and 2019 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY adding to
2 Article – Tax – General
3 Section 10–751
4 Annotated Code of Maryland
5 (2016 Replacement Volume and 2019 Supplement)

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
7 That the Laws of Maryland read as follows:

8 **Article – Economic Development**

9 2.5–109.

10 (a) In this section, “economic development program” means:

11 (4) each of the tax credit programs administered by the Department,
12 including:

13 (i) the Film Production Activity Tax Credit;

14 (ii) the Job Creation Tax Credit;

15 (iii) the One Maryland Economic Development Tax Credit;

16 (iv) the Biotechnology Investment Incentive Tax Credit;

17 (v) the Research and Development Tax Credit;

18 (vi) the Security Clearance Administrative Expenses and
19 Construction and Equipment Costs Tax Credit;

20 (vii) the Cybersecurity Investment Incentive Tax Credit; [and]

21 (viii) the Aerospace, Electronics, or Defense Contract Tax Credit; AND

22 **(IX) THE THEATRICAL PRODUCTION TAX CREDIT.**

23 **Article – Tax – General**

24 **10–751.**

25 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**
26 **INDICATED.**

27 **(2) “DEPARTMENT” MEANS THE DEPARTMENT OF COMMERCE.**

1 **(3) “NATIONAL TOURING PRODUCTION” MEANS A FOR-PROFIT LIVE**
2 **STAGE THEATRICAL PRODUCTION THAT:**

3 **(I) IS PRESENTED IN A QUALIFIED THEATRICAL PRODUCTION**
4 **FACILITY FOR AT LEAST TWO PUBLIC PERFORMANCES; AND**

5 **(II) AFTER THE PRODUCTION’S FINAL PERFORMANCE UNDER**
6 **ITEM (I) OF THIS PARAGRAPH, IS PERFORMED FOR AT LEAST 4 WEEKS IN AT LEAST**
7 **FOUR CITIES OUTSIDE THE STATE.**

8 **(4) “PRE-BROADWAY PRODUCTION” MEANS A FOR-PROFIT LIVE**
9 **STAGE THEATRICAL PRODUCTION THAT:**

10 **(I) IS PRESENTED IN A QUALIFIED TECHNICAL PRODUCTION**
11 **FACILITY FOR AT LEAST EIGHT PUBLIC PERFORMANCES; AND**

12 **(II) IN THE PRODUCTION’S ORIGINAL OR ADAPTIVE VERSION:**

13 **1. HAS NEVER BEEN PERFORMED OR HAS BEEN**
14 **PERFORMED ONLY ON A LIMITED BASIS IN THE IMMEDIATELY PRECEDING 5 YEARS;**
15 **AND**

16 **2. IS BEING PREPARED EXCLUSIVELY AT THE QUALIFIED**
17 **THEATRICAL PRODUCTION FACILITY FOR A PRESENTATION IN THE BROADWAY**
18 **THEATER DISTRICT WITHIN 12 MONTHS AFTER THE PRODUCTION’S FINAL**
19 **PRESENTATION IN A QUALIFIED THEATRICAL PRODUCTION FACILITY.**

20 **(5) “QUALIFIED THEATRICAL PRODUCTION ENTITY” MEANS AN**
21 **ENTITY THAT:**

22 **(I) IS CARRYING OUT A THEATRICAL PRODUCTION; AND**

23 **(II) IS DETERMINED BY THE SECRETARY TO BE ELIGIBLE FOR**
24 **THE TAX CREDIT UNDER THIS SECTION IN ACCORDANCE WITH SUBSECTION (C) OF**
25 **THIS SECTION.**

26 **(6) “QUALIFIED THEATRICAL PRODUCTION FACILITY” MEANS A**
27 **FACILITY LOCATED IN THE STATE IN WHICH A THEATRICAL PRODUCTION IS**
28 **PERFORMED.**

29 **(7) “SECRETARY” MEANS THE SECRETARY OF COMMERCE.**

1 **(8) “THEATRICAL PRODUCTION” MEANS:**

2 **(I) A NATIONAL TOURING PRODUCTION; OR**

3 **(II) A PRE-BROADWAY PRODUCTION.**

4 **(9) (I) “TOTAL DIRECT COSTS” MEANS THE TOTAL COSTS**
5 **INCURRED IN THE STATE THAT ARE NECESSARY TO CARRY OUT THE DEVELOPMENT,**
6 **PRODUCTION, PERFORMANCE, OR OPERATION OF A THEATRICAL PRODUCTION.**

7 **(II) “TOTAL DIRECT COSTS” INCLUDES COSTS INCURRED FOR:**

8 **1. SET CONSTRUCTION AND OPERATION;**

9 **2. SPECIAL AND VISUAL EFFECTS;**

10 **3. WARDROBE, MAKEUP, AND RELATED SERVICES;**

11 **4. SOUND, LIGHTING, STAGING, AND RELATED SERVICES**
12 **AND MATERIALS;**

13 **5. SALARY, WAGES, AND OTHER COMPENSATION**
14 **INCLUDING RELATED BENEFITS, FOR WORK PERFORMED IN THE STATE, PAID TO**
15 **PERSONS EMPLOYED IN THE THEATRICAL PRODUCTION;**

16 **6. ADVERTISING AND PUBLIC RELATIONS ASSOCIATED**
17 **WITH THE PERFORMANCE OF THE THEATRICAL PRODUCTION IN A QUALIFIED**
18 **THEATRICAL PRODUCTION FACILITY;**

19 **7. RENTAL OF FACILITIES IN THE STATE AND**
20 **EQUIPMENT USED IN THE STATE;**

21 **8. LEASING OF VEHICLES;**

22 **9. FOOD AND LODGING; AND**

23 **10. TRAVEL EXPENSES FOR BRINGING PERSONS**
24 **EMPLOYED, EITHER DIRECTLY OR INDIRECTLY, BY THE THEATRICAL PRODUCTION**
25 **TO THE STATE, BUT NOT INCLUDING EXPENSES FOR DEPARTING FROM THE STATE.**

26 **(III) “TOTAL DIRECT COSTS” DOES NOT INCLUDE ANY SALARY,**
27 **WAGES, OR OTHER COMPENSATION FOR PERSONAL SERVICES OF AN INDIVIDUAL**
28 **WHO RECEIVES MORE THAN \$100,000 PER WEEK IN SALARY, WAGES, OR OTHER**

1 COMPENSATION FOR PERSONAL SERVICES IN CONNECTION WITH ANY THEATRICAL
2 PRODUCTION.

3 (B) (1) A QUALIFIED THEATRICAL PRODUCTION ENTITY MAY CLAIM A
4 CREDIT AGAINST THE STATE INCOME TAX FOR THEATRICAL PRODUCTION
5 ACTIVITIES IN THE STATE IN AN AMOUNT EQUAL TO THE AMOUNT STATED IN THE
6 TAX CREDIT CERTIFICATE APPROVED BY THE SECRETARY FOR A THEATRICAL
7 PRODUCTION.

8 (2) IF THE TAX CREDIT ALLOWED UNDER THIS SECTION IN ANY
9 TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE QUALIFIED
10 THEATRICAL PRODUCTION ENTITY FOR THAT TAXABLE YEAR, THE QUALIFIED
11 THEATRICAL PRODUCTION ENTITY MAY CLAIM A REFUND IN THE AMOUNT OF THE
12 EXCESS.

13 (C) (1) BEFORE BEGINNING A THEATRICAL PRODUCTION ACTIVITY, A
14 THEATRICAL PRODUCTION ENTITY MUST SUBMIT TO THE DEPARTMENT AN
15 APPLICATION TO QUALIFY AS A THEATRICAL PRODUCTION ENTITY.

16 (2) THE APPLICATION SHALL DESCRIBE THE ANTICIPATED
17 THEATRICAL PRODUCTION ACTIVITY, INCLUDING:

18 (I) THE PROJECTED TOTAL BUDGET;

19 (II) THE ESTIMATED NUMBER OF MARYLAND RESIDENT AND
20 OUT-OF-STATE EMPLOYEES AND TOTAL WAGES TO BE PAID; AND

21 (III) THE ANTICIPATED DATES FOR CARRYING OUT THE MAJOR
22 ELEMENTS OF THE THEATRICAL PRODUCTION.

23 (3) TO QUALIFY AS A THEATRICAL PRODUCTION ENTITY, THE
24 ESTIMATED TOTAL DIRECT COSTS INCURRED IN THE STATE MUST EXCEED \$100,000.

25 (4) THE APPLICATION SHALL INCLUDE ANY OTHER INFORMATION
26 REQUIRED BY THE SECRETARY.

27 (5) THE SECRETARY SHALL:

28 (I) DETERMINE WHETHER THE THEATRICAL PRODUCTION
29 ENTITY QUALIFIES FOR THE CREDIT UNDER THIS SECTION; AND

30 (II) NOTIFY THE COMPTROLLER OF THE ESTIMATED AMOUNT
31 OF TOTAL DIRECT COSTS AND THE TAXABLE YEAR THE CREDIT WILL BE CLAIMED.

1 (D) (1) AFTER COMPLETION OF THE THEATRICAL PRODUCTION
2 ACTIVITY, A QUALIFIED THEATRICAL PRODUCTION ENTITY SHALL APPLY TO THE
3 DEPARTMENT FOR A TAX CREDIT CERTIFICATE.

4 (2) THE APPLICATION SHALL BE ON A FORM REQUIRED BY THE
5 SECRETARY AND SHALL INCLUDE:

6 (I) PROOF OF THE TOTAL DIRECT COSTS THAT QUALIFY FOR
7 THE TAX CREDIT; AND

8 (II) THE NUMBER OF EMPLOYEES HIRED AND WAGES PAID.

9 (3) THE SECRETARY MAY REQUIRE THE INFORMATION PROVIDED IN
10 AN APPLICATION FOR THE TAX CREDIT CERTIFICATE TO BE VERIFIED BY AN
11 INDEPENDENT AUDITOR SELECTED AND PAID FOR BY THE THEATRICAL
12 PRODUCTION ENTITY SEEKING THE TAX CREDIT CERTIFICATE.

13 (4) SUBJECT TO SUBSECTION (F) OF THIS SECTION, THE SECRETARY
14 SHALL DETERMINE THE TOTAL DIRECT COSTS THAT QUALIFY FOR THE TAX CREDIT
15 AND ISSUE A TAX CREDIT CERTIFICATE FOR 25% OF THE TOTAL DIRECT COSTS THAT
16 QUALIFY FOR THE TAX CREDIT.

17 (E) IN ACCORDANCE WITH § 2.5-109 OF THE ECONOMIC DEVELOPMENT
18 ARTICLE, THE DEPARTMENT SHALL SUBMIT A REPORT THAT INCLUDES:

19 (1) THE NUMBER OF THEATRICAL PRODUCTION ENTITIES
20 SUBMITTING APPLICATIONS UNDER SUBSECTION (C) OF THIS SECTION;

21 (2) THE NUMBER AND AMOUNT OF TAX CREDIT CERTIFICATES ISSUED
22 UNDER SUBSECTION (D) OF THIS SECTION;

23 (3) THE NUMBER OF LOCAL TECHNICIANS AND ACTORS HIRED FOR A
24 THEATRICAL PRODUCTION DURING THE REPORTING PERIOD;

25 (4) A LIST OF COMPANIES DOING BUSINESS IN THE STATE, INCLUDING
26 HOTELS, THAT DIRECTLY PROVIDED GOODS OR SERVICES FOR A THEATRICAL
27 PRODUCTION DURING THE REPORTING PERIOD;

28 (5) A LIST OF COMPANIES DOING BUSINESS IN THE STATE THAT
29 DIRECTLY PROVIDED GOODS OR SERVICES FOR A THEATRICAL PRODUCTION
30 DURING THE REPORTING PERIOD THAT QUALIFIED DURING THE REPORTING
31 PERIOD AS MINORITY BUSINESS ENTERPRISES UNDER § 14-301(F) OF THE STATE

1 **FINANCE AND PROCUREMENT ARTICLE;**

2 **(6) A LIST OF COMPANIES DOING BUSINESS IN THE STATE THAT**
3 **DIRECTLY PROVIDED GOODS OR SERVICES FOR A THEATRICAL PRODUCTION**
4 **DURING THE REPORTING PERIOD THAT, AS DETERMINED BY THE DEPARTMENT, ARE**
5 **CONSIDERED SMALL BUSINESSES; AND**

6 **(7) ANY OTHER INFORMATION THAT INDICATES THE ECONOMIC**
7 **BENEFITS TO THE STATE RESULTING FROM THEATRICAL PRODUCTION ACTIVITY**
8 **DURING THE REPORTING PERIOD.**

9 **(F) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,**
10 **THE SECRETARY MAY NOT ISSUE TAX CREDIT CERTIFICATES FOR CREDIT AMOUNTS**
11 **IN THE AGGREGATE TOTALING MORE THAN \$10,000,000 IN ANY FISCAL YEAR.**

12 **(2) IF THE AGGREGATE CREDIT AMOUNTS UNDER THE TAX CREDIT**
13 **CERTIFICATES ISSUED BY THE SECRETARY TOTAL LESS THAN THE MAXIMUM**
14 **PROVIDED UNDER PARAGRAPH (1) OF THIS SUBSECTION IN ANY FISCAL YEAR, ANY**
15 **EXCESS AMOUNT MAY BE CARRIED FORWARD AND ISSUED UNDER TAX CREDIT**
16 **CERTIFICATES IN A SUBSEQUENT FISCAL YEAR.**

17 **(3) THE SECRETARY MAY NOT ISSUE TAX CREDIT CERTIFICATES FOR**
18 **CREDIT AMOUNTS TOTALING MORE THAN \$2,000,000 IN THE AGGREGATE FOR A**
19 **SINGLE THEATRICAL PRODUCTION.**

20 **(G) THE DEPARTMENT AND THE COMPTROLLER SHALL JOINTLY ADOPT**
21 **REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS SECTION AND TO SPECIFY**
22 **CRITERIA AND PROCEDURES FOR THE APPLICATION FOR, APPROVAL OF, AND**
23 **MONITORING OF CONTINUING ELIGIBILITY FOR THE TAX CREDIT UNDER THIS**
24 **SECTION.**

25 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July**
26 **1, 2020, and shall be applicable to all taxable years beginning after December 31, 2019.**