

**As Introduced**

**133rd General Assembly  
Regular Session  
2019-2020**

**H. B. No. 725**

**Representative Smith, K.  
Cosponsor: Representative Galonski**

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**A BILL**

To amend section 5747.98 and to enact sections 1  
122.851 and 5747.67 of the Revised Code to 2  
authorize a refundable income tax credit for 3  
investing in a sound recording production 4  
company. 5

**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That section 5747.98 be amended and sections 6  
122.851 and 5747.67 of the Revised Code be enacted to read as 7  
follows: 8

**Sec. 122.851.** (A) As used in this section: 9

(1) "Eligible expenditures" means actual production- 10  
related costs in this state by a sound recording company for a 11  
tax credit-eligible production or actual capital costs in this 12  
state by a sound recording company for a tax credit-eligible 13  
project. 14

(2) "Expenditure in this state" means the cost of either 15  
of the following: 16

(a) Acquiring tangible personal property or services in 17

this state that are subject to tax levied under section 5739.02 18  
or 5741.02 of the Revised Code; 19

(b) Compensation for services performed within the state 20  
subject to the tax levied under section 5747.02 of the Revised 21  
Code. 22

(3) "Sound recording" means a recording of a music, 23  
poetry, or spoken performance recorded, in whole or in part, in 24  
this state. "Sound recording" does not include the audio 25  
portions of dialogue or words spoken and recorded as part of 26  
television news coverage or athletic events. 27

(4) "Sound recording production company" means a sole 28  
proprietorship or a pass-through entity engaged in the 29  
production of sound recordings. 30

(5) "Tax credit-eligible production" means the production 31  
of a sound recording, or a series of such productions occurring 32  
over a twelve-month period, certified by the director of 33  
development services under division (B) of this section as 34  
eligible for the tax credit authorized under section 5747.67 of 35  
the Revised Code. 36

(6) "Tax credit-eligible project" means a capital project 37  
to construct or improve infrastructure for creating sound 38  
recording productions certified by the director of development 39  
services under division (B) of this section as eligible for the 40  
tax credit authorized under section 5747.67 of the Revised Code. 41

(7) "Investor" means an individual who owns a sound 42  
production company that is a sole proprietorship or an 43  
individual who owns a proportionate or distributive share of a 44  
sound recording production company that is a pass-through 45  
entity. 46

(8) "Pass-through entity" has the same meaning as in section 5733.04 of the Revised Code, but does not include a sole proprietorship. 47  
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(9) "Capital costs of a tax credit-eligible project" means expenditures directly related to a tax credit-eligible project, including land and land acquisition costs, construction costs, design fees, furniture, fixtures, and equipment purchased subject to a sale agreement or capital lease, but does not include general administrative costs or insurance. 50  
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(10) "Production-related costs" means expenditures directly related to a tax credit-eligible production. 56  
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(B)(1) The director of development services may certify a sound recording production or sound recording infrastructure project as a tax credit-eligible production or tax credit-eligible project, respectively. A sound recording production company shall apply for certification of a sound recording production or a sound recording capital infrastructure project as a tax credit-eligible production or tax credit-eligible project, respectively, in the form and manner prescribed by the director. 58  
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(a) An application to certify a tax credit-eligible production shall include all of the following: 67  
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(i) The production's distribution plan; 69

(ii) The production's preliminary budget, including estimated eligible expenditures; 70  
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(iii) A description of the type of sound to be recorded; 72

(iv) A list of the production's principal creative elements, including performing artists and producers; 73  
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(v) The location, including street address, of the recording studio or other location where production will occur; 75  
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(vi) A statement that the production will qualify as a tax credit-eligible production; 77  
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(vii) The production's estimated start and completion dates; 79  
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(viii) Any other information required by the director. 81

(b) An application to certify a tax credit-eligible project shall include all of the following: 82  
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(i) A detailed description of the project, including the project's location; 84  
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(ii) The project's preliminary budget, including eligible expenditures; 86  
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(iii) A statement that the project will qualify as a tax credit-eligible sound recording infrastructure project; 88  
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(iv) The project's estimated start and completion dates; 90

(v) Any other information required by the director. 91

(2) Upon receipt of a complete application, the director of development services may certify the sound recording production or sound recording infrastructure project as a tax credit-eligible production or tax credit-eligible project, respectively. If the director receives an application that is incomplete, the director may request that the applicant provide any omitted information or reject the application. Within one hundred eighty days after receiving a complete application, the director shall approve or reject the application, and notify the applicant of the director's decision. The director also shall 92  
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notify the tax commissioner and investor of each production or 102  
project the director certifies as a tax credit-eligible 103  
production or tax credit-eligible sound recording infrastructure 104  
project. 105

The director shall reject an application if the applicant 106  
is a person, or any person owned, affiliated, or controlled, in 107  
whole or in part, by any person that either owes debt that has 108  
been certified to the attorney general under section 131.02 of 109  
the Revised Code or has declared bankruptcy under which an 110  
obligation of the person to pay or repay public funds or moneys 111  
was discharged as a part of such bankruptcy. The rejection of an 112  
application under this division does not prohibit an applicant 113  
from filing another application under this section for the same 114  
production or project. 115

(3) In making the director's determination under division 116  
(B)(2) of this section, the director shall consider each of the 117  
following factors: 118

(a) The impact of the production or project on the 119  
encouragement and development in this state of a strong capital 120  
and infrastructure base in order to achieve a more independent, 121  
self-supporting music and sound recording industry; 122

(b) The impact of the production or project on the 123  
employment of residents of this state; 124

(c) The impact of the production or project on the overall 125  
economy of this state; 126

(d) If the application is for a tax credit-eligible 127  
project, the availability of similar infrastructure facilities 128  
located within fifty miles of the proposed project. 129

(C) A sound recording production company whose sound 130

recording production or sound recording capital infrastructure 131  
project is certified under division (B) of this section as a tax 132  
credit-eligible production or tax credit-eligible project, after 133  
such production or project is completed, may apply to the 134  
director of development services to receive a refundable credit 135  
against the tax imposed under section 5747.02 of the Revised 136  
Code, which may be claimed by the company's investor or 137  
investors. The director in consultation with the commissioner 138  
shall prescribe the form and manner of the application under 139  
this division and the information or documentation required to 140  
be submitted with the application. 141

In addition to the application, the company shall report 142  
the eligible expenditures related to that production or project, 143  
which the director may require to be prepared by a certified 144  
public accountant. Before awarding a certificate under this 145  
division, the director may inspect the books, accounts, records, 146  
and memoranda of a sound recording production company to audit 147  
the accuracy of that report. The amount of credit awarded to 148  
investors shall be proportionately reduced by the cost to the 149  
director of any such audit. Upon receiving and examining the 150  
report, the director may disallow any reported eligible 151  
expenditure the director determines is not an eligible 152  
expenditure. If the director disallows an expenditure, the 153  
director shall issue a written notice to the sound recording 154  
production company stating that the expenditure is disallowed 155  
and the reason for the disallowance. Upon examination of the 156  
report and disallowance of any expenditure, the director shall 157  
determine eligible expenditures for the purpose of calculating 158  
the amount of the credit. 159

Subject to the aggregate credit limit in division (D) of 160  
this section, upon receipt of an application under this 161

division, the director shall issue a certificate to each 162  
applicable investor showing the amount of the credit the 163  
investor may claim under section 5747.67 of the Revised Code. 164  
The director shall calculate that credit as follows: 165

(1) The amount of the credit equals twenty-five per cent 166  
of eligible expenditures in excess of ten thousand dollars, 167  
multiplied by the investor's proportionate or distributive share 168  
of the sound production company if that company is a pass- 169  
through entity. 170

(2) The amount of credit awarded to all investors for a 171  
production or project shall not exceed seventy-five thousand 172  
dollars. If the amount of the credit, as calculated under 173  
division (C) (1) of this section, would exceed seventy-five 174  
thousand dollars, the director shall reduce the amount of credit 175  
awarded to each investor proportionately so that the total 176  
amount so awarded to all such investors equals seventy-five 177  
thousand dollars. 178

(3) No credit shall be awarded on the basis of any portion 179  
of an eligible expenditure that is also an eligible production 180  
expenditure that forms the basis of a credit awarded under 181  
section 122.85 of the Revised Code. 182

(4) No credit shall be awarded for taxable years beginning 183  
on or after January 1, 2024. 184

(D) The aggregate amount of credits certified for all 185  
investors under division (C) of this section for any fiscal year 186  
shall not exceed one million dollars. The director shall award 187  
credit certificates for tax credit-eligible productions or tax 188  
credit-eligible projects on a first-come, first-served basis. 189

(E) The director of development services shall transmit a 190

copy of each certificate to the tax commissioner. The director 191  
in consultation with the commissioner shall adopt rules in 192  
accordance with Chapter 119. of the Revised Code necessary for 193  
the administration of the credit authorized in this section. 194

(F) On or before the thirty-first day of October each 195  
even-numbered year, beginning in 2020, the director of 196  
development services shall prepare a report evaluating the 197  
effect of the credit authorized under this section and submit 198  
that report to the chair and ranking minority member of the 199  
house of representatives and senate standing committees dealing 200  
primarily with issues of taxation. The report shall include the 201  
overall effect of such credits, the amount of such credit 202  
certificates issued, the number of new jobs created and payroll 203  
subject to the tax under section 5747.02 of the Revised Code 204  
created as a result of the credits, the economic effect of the 205  
credits on the sound recording industry, the amount of new 206  
sounds recording infrastructure that has been developed in the 207  
state, and any other factors that describe the effect of the 208  
credits. 209

(G) The tax commissioner may assess an investor under 210  
section 5747.13 of the Revised Code for any amount of credit 211  
claimed by the investor but later determined by the commissioner 212  
or the director of development services to be disallowed under 213  
this section, subject to the time limitations in that section. 214

(H) As a condition for a sound recording production 215  
company's investors being awarded a credit certificate, the 216  
director of development services may require a tax credit- 217  
eligible production to display the state's name or logo, as 218  
prescribed by the director. 219

**Sec. 5747.67.** (A) Any term used in this section has the 220



same meaning as in section 122.851 of the Revised Code. 221

(B) There is allowed a refundable credit against the tax 222  
imposed by section 5747.02 of the Revised Code for any 223  
individual who, on the last day of the individual's taxable 224  
year, holds a tax credit certificate issued under section 225  
122.851 of the Revised Code. The credit shall be claimed for the 226  
taxable year that includes the date the certificate was issued. 227  
The credit amount equals the amount stated in the certificate. 228  
The credit shall be claimed in the order required under section 229  
5747.98 of the Revised Code. If the credit amount exceeds the 230  
tax otherwise due under section 5747.02 of the Revised Code 231  
after deducting all other credits in that order, the excess 232  
shall be refunded. 233

**Sec. 5747.98.** (A) To provide a uniform procedure for 234  
calculating a taxpayer's aggregate tax liability under section 235  
5747.02 of the Revised Code, a taxpayer shall claim any credits 236  
to which the taxpayer is entitled in the following order: 237

(1) Either the retirement income credit under division (B) 238  
of section 5747.055 of the Revised Code or the lump sum 239  
retirement income credits under divisions (C), (D), and (E) of 240  
that section; 241

(2) Either the senior citizen credit under division (F) of 242  
section 5747.055 of the Revised Code or the lump sum 243  
distribution credit under division (G) of that section; 244

(3) The dependent care credit under section 5747.054 of 245  
the Revised Code; 246

(4) The credit for displaced workers who pay for job 247  
training under section 5747.27 of the Revised Code; 248

(5) The campaign contribution credit under section 5747.29 249

of the Revised Code;	250
(6) The twenty-dollar personal exemption credit under section 5747.022 of the Revised Code;	251 252
(7) The joint filing credit under division (G) of section 5747.05 of the Revised Code;	253 254
(8) The earned income credit under section 5747.71 of the Revised Code;	255 256
(9) The credit for adoption of a minor child under section 5747.37 of the Revised Code;	257 258
(10) The nonrefundable job retention credit under division (B) of section 5747.058 of the Revised Code;	259 260
(11) The enterprise zone credit under section 5709.66 of the Revised Code;	261 262
(12) The ethanol plant investment credit under section 5747.75 of the Revised Code;	263 264
(13) The credit for purchases of qualifying grape production property under section 5747.28 of the Revised Code;	265 266
(14) The small business investment credit under section 5747.81 of the Revised Code;	267 268
(15) The enterprise zone credits under section 5709.65 of the Revised Code;	269 270
(16) The research and development credit under section 5747.331 of the Revised Code;	271 272
(17) The credit for rehabilitating a historic building under section 5747.76 of the Revised Code;	273 274
(18) The nonresident credit under division (A) of section	275

5747.05 of the Revised Code;	276
(19) The credit for a resident's out-of-state income under division (B) of section 5747.05 of the Revised Code;	277 278
(20) The refundable motion picture production credit under section 5747.66 of the Revised Code;	279 280
(21) The refundable jobs creation credit or job retention credit under division (A) of section 5747.058 of the Revised Code;	281 282 283
(22) The refundable credit for taxes paid by a qualifying entity granted under section 5747.059 of the Revised Code;	284 285
(23) The refundable credits for taxes paid by a qualifying pass-through entity granted under division (I) of section 5747.08 of the Revised Code;	286 287 288
(24) The refundable credit under section 5747.80 of the Revised Code for losses on loans made to the Ohio venture capital program under sections 150.01 to 150.10 of the Revised Code;	289 290 291 292
(25) The refundable credit for rehabilitating a historic building under section 5747.76 of the Revised Code;	293 294
(26) The refundable credit for financial institution taxes paid by a pass-through entity granted under section 5747.65 of the Revised Code;	295 296 297
<u>(27) The refundable sound recording production credit under section 5747.67 of the Revised Code.</u>	298 299
(B) For any credit, except the refundable credits enumerated in this section and the credit granted under division (H) of section 5747.08 of the Revised Code, the amount of the	300 301 302

credit for a taxable year shall not exceed the taxpayer's 303  
aggregate amount of tax due under section 5747.02 of the Revised 304  
Code, after allowing for any other credit that precedes it in 305  
the order required under this section. Any excess amount of a 306  
particular credit may be carried forward if authorized under the 307  
section creating that credit. Nothing in this chapter shall be 308  
construed to allow a taxpayer to claim, directly or indirectly, 309  
a credit more than once for a taxable year. 310

**Section 2.** That existing section 5747.98 of the Revised 311  
Code is hereby repealed. 312