

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Film Production Services Tax Credit Act of
5 2008 is amended by changing Sections 10 and 40 and by adding
6 Section 42 as follows:

7 (35 ILCS 16/10)

8 Sec. 10. Definitions. As used in this Act:

9 "Accredited production" means: (i) for productions
10 commencing before May 1, 2006, a film, video, or television
11 production that has been certified by the Department in which
12 the aggregate Illinois labor expenditures included in the cost
13 of the production, in the period that ends 12 months after the
14 time principal filming or taping of the production began,
15 exceed \$100,000 for productions of 30 minutes or longer, or
16 \$50,000 for productions of less than 30 minutes; and (ii) for
17 productions commencing on or after May 1, 2006, a film, video,
18 or television production that has been certified by the
19 Department in which the Illinois production spending included
20 in the cost of production in the period that ends 12 months
21 after the time principal filming or taping of the production
22 began exceeds \$100,000 for productions of 30 minutes or longer
23 or exceeds \$50,000 for productions of less than 30 minutes.

1 "Accredited production" does not include a production that:

2 (1) is news, current events, or public programming, or
3 a program that includes weather or market reports;

4 (2) (blank) ~~is a talk show;~~

5 (3) is a production in respect of a game,
6 questionnaire, or contest;

7 (4) is a sports event or activity;

8 (5) is a gala presentation or awards show;

9 (6) is a finished production that solicits funds;

10 (7) is a production produced by a film production
11 company if records, as required by 18 U.S.C. 2257, are to
12 be maintained by that film production company with respect
13 to any performer portrayed in that single media or
14 multimedia program; or

15 (8) is a production produced primarily for industrial,
16 corporate, or institutional purposes.

17 "Accredited production" includes an accredited animated
18 production, a talk show, or a reality program.

19 "Accredited animated production" means fully animated
20 feature with a total production period of more than 12 months.

21 "Accredited production certificate" means a certificate
22 issued by the Department certifying that the production is an
23 accredited production that meets the guidelines of this Act.

24 "Applicant" means a taxpayer that is a film production
25 company that is operating or has operated an accredited
26 production located within the State of Illinois and that (i)

1 owns the copyright in the accredited production throughout the
2 Illinois production period or (ii) has contracted directly with
3 the owner of the copyright in the accredited production or a
4 person acting on behalf of the owner to provide services for
5 the production, where the owner of the copyright is not an
6 eligible production corporation.

7 "Credit" means:

8 (1) for an accredited production approved by the
9 Department on or before January 1, 2005 and commencing
10 before May 1, 2006, the amount equal to 25% of the Illinois
11 labor expenditure approved by the Department. The
12 applicant is deemed to have paid, on its balance due day
13 for the year, an amount equal to 25% of its qualified
14 Illinois labor expenditure for the tax year. For Illinois
15 labor expenditures generated by the employment of
16 residents of geographic areas of high poverty or high
17 unemployment, as determined by the Department, in an
18 accredited production commencing before May 1, 2006 and
19 approved by the Department after January 1, 2005, the
20 applicant shall receive an enhanced credit of 10% in
21 addition to the 25% credit; ~~and~~

22 (2) for an accredited production commencing on or after
23 May 1, 2006, the amount equal to:

24 (i) 20% of the Illinois production spending for the
25 taxable year; plus

26 (ii) 15% of the Illinois labor expenditures

1 generated by the employment of residents of geographic
2 areas of high poverty or high unemployment, as
3 determined by the Department; ~~and~~

4 (3) for an accredited production commencing on or after
5 January 1, 2009, other than an accredited animated
6 production qualifying under item (4) or a talk show or
7 reality program qualifying under item (5), the amount equal
8 to:

9 (i) 30% of the Illinois production spending for the
10 taxable year; plus

11 (ii) 15% of the Illinois labor expenditures
12 generated by the employment of residents of geographic
13 areas of high poverty or high unemployment, as
14 determined by the Department; ~~and~~

15 (4) for an accredited animated production commencing
16 on or after January 1, 2012:

17 (i) 30% of the anticipated Illinois production
18 spending for the entire production period; plus

19 (ii) 15% of the anticipated Illinois labor
20 expenditures generated by the employment of residents
21 of geographic areas of high poverty or high
22 unemployment, as determined by the Department, during
23 the entire production period;

24 the credits awarded for an accredited animated
25 production commencing on or after January 1, 2012 shall be
26 awarded as provided in Section 42; and

1 (5) for an accredited talk show or reality program
2 commencing its first season in Illinois on or after May 1,
3 2011, the amount equal to:

4 (i) 30% of the Illinois production spending for the
5 taxable year; plus

6 (ii) 15% of the Illinois labor expenditures
7 generated by the employment of residents of geographic
8 areas of high poverty or high unemployment, as
9 determined by the Department.

10 "Department" means the Department of Commerce and Economic
11 Opportunity.

12 "Director" means the Director of Commerce and Economic
13 Opportunity.

14 "Illinois labor expenditure" means salary or wages paid to
15 employees of the applicant for services on the accredited
16 production;

17 To qualify as an Illinois labor expenditure, the
18 expenditure must be:

19 (1) Reasonable in the circumstances.

20 (2) Included in the federal income tax basis of the
21 property.

22 (3) Incurred by the applicant for services on or after
23 January 1, 2004.

24 (4) Incurred for the production stages of the
25 accredited production, from the final script stage to the
26 end of the post-production stage.

1 (5) Limited to the first \$25,000 of wages paid or
2 incurred to each employee of a production commencing before
3 May 1, 2006 and the first \$100,000 of wages paid or
4 incurred to each employee of a production commencing on or
5 after May 1, 2006.

6 (6) For a production commencing before May 1, 2006,
7 exclusive of the salary or wages paid to or incurred for
8 the 2 highest paid employees of the production.

9 (7) Directly attributable to the accredited
10 production.

11 (8) Except for expenditures paid with respect to an
12 accredited animated production, paid ~~Paid~~ in the tax year
13 for which the applicant is claiming the credit or no later
14 than 60 days after the end of the tax year.

15 (9) Paid to persons resident in Illinois at the time
16 the payments were made.

17 (10) Paid for services rendered in Illinois.

18 "Illinois production spending" means the expenses incurred
19 by the applicant for an accredited production, including,
20 without limitation, all of the following:

21 (1) expenses to purchase, from vendors within
22 Illinois, tangible personal property that is used in the
23 accredited production;

24 (2) expenses to acquire services, from vendors in
25 Illinois, for film production, editing, or processing; and

26 (3) the compensation, not to exceed \$100,000 for any

1 one employee, for contractual or salaried employees who are
2 Illinois residents performing services with respect to the
3 accredited production.

4 "Qualified production facility" means stage facilities in
5 the State in which television shows and films are or are
6 intended to be regularly produced and that contain at least one
7 sound stage of at least 15,000 square feet.

8 Rulemaking authority to implement this amendatory Act of
9 the 95th General Assembly, if any, is conditioned on the rules
10 being adopted in accordance with all provisions of the Illinois
11 Administrative Procedure Act and all rules and procedures of
12 the Joint Committee on Administrative Rules; any purported rule
13 not so adopted, for whatever reason, is unauthorized.

14 (Source: P.A. 95-720, eff. 5-27-08; 95-1006, eff. 12-15-08.)

15 (35 ILCS 16/40)

16 Sec. 40. Amount and duration of the credit. The amount of
17 the credit awarded under this Act is based on the amount of the
18 Illinois labor expenditure and Illinois production spending
19 approved by the Department for the production as set forth
20 under Section 10. The duration of the credit may not exceed (i)
21 one taxable year for productions other than accredited animated
22 productions or (ii) for accredited animated productions, the
23 period beginning with the taxable year in which the production
24 commences and ending with the taxable year in which the final
25 audit required under Section 42 is complete.

1 (Source: P.A. 95-720, eff. 5-27-08.)

2 (35 ILCS 16/42 new)

3 Sec. 42. Accredited animated productions. Each applicant
4 requesting credits for an accredited animated production
5 commencing on or after January 1, 2012 must enter into an
6 agreement with the Department detailing (i) the applicant's
7 anticipated Illinois production spending for the entire
8 production period and (ii) the anticipated Illinois labor
9 expenditures generated by the employment of residents of
10 geographic areas of high poverty or high unemployment. The
11 accredited production certificate for an accredited animated
12 production shall list those amounts. An applicant that is
13 awarded a credit for an accredited animated production is
14 entitled to take (i) 25% of the total credit awarded in the
15 taxable year in which Stage 1 of the production is completed,
16 (ii) 25% of the total credit awarded in the taxable year in
17 which Stage 2 of the production is completed, (iii) 25% of the
18 total credit awarded in the taxable year in which Stage 3 of
19 the production is completed, and (iv) 25% of the total credit
20 awarded in the taxable year in which Stage 4 of the production
21 is completed, including the final audit.

22 For the purposes of this Section:

23 Stage 1 of the production is considered complete upon
24 review and approval by the Department of an animatic reel in
25 QuickTime format (with watermark). "Animatic reel" means a

1 timed and edited compilation of images/storyboard
2 pre-visualising the final feature from first to last scene,
3 including dialogue from the first pass voice recording or
4 "scratch track". The completion of Stage 1 is the end of
5 pre-production and includes the culmination of the following:

6 (1) conclusion of the screenplay;

7 (2) conclusion of the initial dialogue record;

8 (3) asset design (2D); and

9 (4) conclusion of the storyboard stage.

10 Stage 2 of the production is considered complete upon
11 review and approval by the Department of a
12 pre-visualization/blocking reel in QuickTime format (with
13 watermark). "Pre-visualization/blocking reel" means a timed
14 and edited compilation of rendered 3D pre-visualization from
15 the first to last scene, including any and all motion capture.
16 The completion of Stage 2 includes the completion of asset
17 modeling and asset rigging.

18 Stage 3 of the production is considered complete upon
19 review and approval by the Department of the first animation
20 pass in QuickTime format (with watermark). "First animation
21 pass" means a timed and edited compilation of rendered
22 animation from the first to last scene, including the second
23 dialogue pass. The completion of Stage 3 means the completion
24 of asset surfacing: color and texture,
25 pre-visualization/motion capture, and the progress of
26 animation stage.

1 Stage 4 of the production is considered complete upon
2 review and approval by the Department of a final rendered
3 feature in QuickTime format (with watermark). The completion of
4 Stage 4 includes the completion of the entire post-production
5 process.

6 Upon the completion of Stage 4, the applicant shall submit
7 to a final audit by the Department. If the Department finds
8 that the actual Illinois production spending is less than the
9 applicant's anticipated Illinois production spending, as set
10 forth in the agreement with the Department, then the final tax
11 credit award shall be reduced accordingly.

12 Section 99. Effective date. This Act takes effect upon
13 becoming law.