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S.F. No. 1986 – Film production credit

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This bill provides a nonrefundable credit against individual income, corporate franchise, and insurance premiums tax equal to 25 percent of expenditures in a taxable year that qualify as eligible production costs. Effective for taxable years 2021-2030.

Section 1. Film production credit.

Subd. 1. Definitions. Defines terms used in the credit.

Subd. 2. Credit allowed. Allows a credit equal to 25 percent of eligible production costs in a taxable year for taxpayers that were issued a credit certificate as required under subd. 4.

Subd. 3. Credit assignable. Allows a taxpayer to assign the credit to another taxpayer. The amount assigned must be at least 75 percent of the credit amount. The assignee must notify the commissioner of employment and economic development within 30 days of the assignment. Requires the commissioner to prescribe the form and manner for assigning a credit certificate and claiming a credit by assignment.

Subd. 4. Applications; allocations. Requires claimants to submit an initial application for the credit in a form prescribed by the commissioner of employment and economic development, in consultation with the commissioner of revenue. The commissioner of employment and economic development must verify eligibility for the credit and state the amount of credit anticipated for the eligible project and the taxable year that the credit is allowed. Credits must be allocated on a first-come, first-served basis. The commissioner must not issue more than \$25 million in credit certificates each year. Any amount not allocated in a year is added to the maximum allocation amount in the following year. Any unallocated amounts cancel after December 31, 2030.

Taxpayers must submit a report from a Minnesota licensed CPA to verify the amount of eligible production costs related to the project. The commissioner of employment and economic development must review the report and determine the final amount of eligible production costs and issue a credit certificate to the taxpayer. The credit certificate must not exceed the amount on the allocation certificate. The credit certificate must be included in a taxpayer's return.

Subd. 5. Report required. Requires the commissioner of employment and economic development, in consultation with the commissioner of revenue, to submit a report to the chairs and ranking members of the legislative committees with jurisdiction over economic development and taxes.

Subd. 6. Expiration. Requires the credit to expire January 1, 2031.

Section 2. Film production credit. Authorizes the credit in the income and corporate franchise tax chapter. The credit is nonrefundable but may be carried forward for up to five years. Credits allowed to a pass-through entity must be passed through to partners, members, shareholders, or owners on a pro-rata basis according to their share of the entity's assets or as otherwise provided in an organizational document. Allows the commissioner of revenue to audit and examine returns under provisions of current law to verify eligibility for the credit.

Section 3. Film production credit. Authorized the credit in the insurance premiums tax chapter. The credit is nonrefundable but may be carried forward for up to five years.