

REFERENCE TITLE: multimedia production; tax incentives

State of Arizona
Senate
Fifty-first Legislature
First Regular Session
2013

SB 1242

Introduced by
Senators Melvin, Cajero Bedford, Farley, Lopez, Pancrazi, Tovar;
Representatives Steele, Wheeler: Senators Jackson Jr., McComish, Worsley;
Representatives Goodale, Meyer, Otondo

AN ACT

AMENDING TITLE 41, CHAPTER 10, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 2;
AMENDING SECTIONS 42-2003 AND 43-222, ARIZONA REVISED STATUTES; AMENDING
TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTIONS
43-1075 AND 43-1075.01; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA
REVISED STATUTES, BY ADDING SECTIONS 43-1163 AND 43-1163.01; RELATING TO
MULTIMEDIA PRODUCTION INCENTIVES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 41, chapter 10, Arizona Revised Statutes, is amended
3 by adding article 2, to read:

4 ARTICLE 2. MULTIMEDIA PRODUCTION INCENTIVES

5 41-1527. Multimedia production liaison

6 THE CHIEF EXECUTIVE OFFICER OF THE ARIZONA COMMERCE AUTHORITY SHALL
7 APPOINT A MULTIMEDIA PRODUCTION LIAISON WITHIN THE AUTHORITY TO:

8 1. SUPERVISE AND EVALUATE THE PREAPPROVAL AND POSTAPPROVAL OF
9 MULTIMEDIA PRODUCTION INCOME TAX CREDITS PURSUANT TO SECTION 41-1527.01.

10 2. COORDINATE THE INTERESTS OF THE AUTHORITY, THE OFFICE OF TOURISM,
11 THE DEPARTMENT OF REVENUE AND OTHER AGENCIES AND POLITICAL SUBDIVISIONS OF
12 THIS STATE AND PRIVATE ENTITIES IN PROMOTING MULTIMEDIA PRODUCTION IN THIS
13 STATE.

14 41-1527.01. Multimedia production income tax credits;
15 qualification; report; definitions

16 A. THROUGH DECEMBER 31, 2022, THE MULTIMEDIA PRODUCTION LIAISON SHALL
17 QUALIFY MULTIMEDIA PRODUCTION COMPANIES THAT PRODUCE ONE OR MORE MOTION
18 PICTURES IN THIS STATE FOR MULTIMEDIA PRODUCTION INCOME TAX CREDITS PURSUANT
19 TO SECTION 43-1075 OR 43-1163, AS APPLICABLE. A PRODUCTION COMPANY MAY
20 RECEIVE A CREDIT THAT IS BASED ONLY ON THE QUALIFIED PRODUCTION EXPENDITURES
21 SUBMITTED BY THE PRODUCTION COMPANY AND CERTIFIED BY THE LIAISON.

22 B. TO QUALIFY FOR A CREDIT UNDER THIS SECTION, A PRODUCTION COMPANY
23 MUST:

24 1. HAVE QUALIFIED PRODUCTION EXPENDITURES OF AT LEAST TWO HUNDRED
25 FIFTY THOUSAND DOLLARS IN PRODUCTION COSTS. A PRODUCTION COMPANY MAY
26 AGGREGATE PRODUCTION COSTS FOR MULTIPLE PRODUCTIONS WITHIN A SINGLE FISCAL
27 YEAR FOR THE PURPOSES OF REACHING THIS MINIMUM EXPENDITURE THRESHOLD.

28 2. NOT INCLUDE PROPERTY WITH RESPECT TO WHICH RECORDS ARE REQUIRED TO
29 BE MAINTAINED UNDER 18 UNITED STATES CODE SECTION 2257.

30 3. ENTER INTO A WRITTEN MANAGED REVIEW AGREEMENT WITH THE LIAISON THAT
31 ESTABLISHES THE REQUIREMENTS OF A MANAGED REVIEW TO BE CONDUCTED AT THE
32 PRODUCTION COMPANY'S EXPENSE. THE MANAGED REVIEW MUST BE CONDUCTED BY AN
33 INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT WHO IS SELECTED BY THE PRODUCTION
34 COMPANY, WHO IS LICENSED IN THIS STATE AND WHO IS APPROVED BY THE LIAISON.
35 THE CERTIFIED PUBLIC ACCOUNTANT AND THE FIRM THE CERTIFIED PUBLIC ACCOUNTANT
36 IS AFFILIATED WITH SHALL NOT REGULARLY PERFORM SERVICES FOR THE PRODUCTION
37 COMPANY OR ANY AFFILIATE OF THE PRODUCTION COMPANY. THE CERTIFIED PUBLIC
38 ACCOUNTANT SHALL FURNISH WRITTEN FINDINGS OF THE MANAGED REVIEW TO THE
39 LIAISON. THE LIAISON SHALL REVIEW THE FINDINGS AND MAY FURTHER EXAMINE
40 RECORDS AND PERFORM OTHER REVIEWS THAT THE LIAISON CONSIDERS NECESSARY TO
41 VERIFY THAT THE MANAGED REVIEW SUBSTANTIALLY CONFORMS TO THE TERMS OF THE
42 MANAGED REVIEW AGREEMENT. THE LIAISON SHALL ACCEPT OR REJECT THE FINDINGS OF
43 THE MANAGED REVIEW. IF THE LIAISON REJECTS ALL OR PART OF THE MANAGED
44 REVIEW, THE LIAISON SHALL PROVIDE WRITTEN REASONS FOR THE REJECTION. EXCEPT
45 AS PROVIDED BY THIS PARAGRAPH, IF THE LIAISON ACCEPTS THE FINDINGS OF THE

1 MANAGED REVIEW AND THE PRODUCTION COMPANY TIMELY FILES ITS INCOME TAX RETURN
2 WITH THE APPROPRIATE CREDIT CLAIM FORMS, THE CREDIT AMOUNT ACCEPTED IS NOT
3 SUBJECT TO RECAPTURE, DISALLOWANCE, REDUCTION OR DENIAL WITH RESPECT TO THE
4 PRODUCTION COMPANY. THE LIAISON'S ACCEPTANCE SHALL INCLUDE A WRITTEN
5 CERTIFICATE TO THE PRODUCTION COMPANY STATING THE AMOUNT OF THE CREDIT AND
6 THAT THE CREDIT IS NOT SUBJECT TO RECAPTURE AS PROVIDED BY THIS PARAGRAPH.
7 THIS PARAGRAPH DOES NOT PROHIBIT THE RECAPTURE OF A CREDIT FROM A PRODUCTION
8 COMPANY IF THE COMPANY FAILED TO DISCLOSE MATERIAL INFORMATION DURING THE
9 MANAGED REVIEW OR FALSIFIED ITS BOOKS OR RECORDS OR OTHERWISE ENGAGED IN AN
10 ACTION THAT PREVENTED AN ACCURATE REVIEW. A MANAGED REVIEW UNDER THIS
11 PARAGRAPH IS NOT CONSIDERED TO BE AN AUDIT FOR THE PURPOSES OF SECTION
12 42-2059.

13 4. INCLUDE IN THE PRODUCTION'S END CREDITS AN ACKNOWLEDGEMENT THAT THE
14 PRODUCTION WAS FILMED IN ARIZONA.

15 5. RECEIVE PREAPPROVAL AND POSTAPPROVAL CERTIFICATION OF THE
16 CERTIFICATION PRODUCTION FROM THE LIAISON AS PROVIDED BY THIS SECTION.

17 C. A MULTIMEDIA PRODUCTION COMPANY INITIALLY APPLYING FOR
18 QUALIFICATION UNDER THIS SECTION MUST REPORT THE FOLLOWING TO THE LIAISON ON
19 A FORM AND IN A MANNER PRESCRIBED BY THE LIAISON:

20 1. THE NAME, ADDRESS, TELEPHONE NUMBER AND WEBSITE OF THE MULTIMEDIA
21 PRODUCTION COMPANY.

22 2. THE NAME AND ADDRESS OF AN INDIVIDUAL WHO WILL MAINTAIN RECORDS OF
23 EXPENDITURES IN THIS STATE.

24 3. THE PROJECTED FIRST PREPRODUCTION DATE AND LAST PRODUCTION DATE IN
25 THIS STATE.

26 4. THE ESTIMATED TOTAL BUDGET OF THE PRODUCTION.

27 5. THE ESTIMATED TOTAL EXPENDITURES IN THIS STATE.

28 6. THE ESTIMATED TOTAL NUMBER OF DAYS IN PREPRODUCTION, PRODUCTION AND
29 POSTPRODUCTION TAKING PLACE IN THIS STATE.

30 7. THE ESTIMATED LEVEL OF EMPLOYMENT OF RESIDENTS OF THIS STATE IN THE
31 CAST AND CREW.

32 8. A SCRIPT, INCLUDING A SYNOPSIS, THE NAME OF THE PROPOSED DIRECTOR
33 AND A PRELIMINARY LIST OF THE CAST AND PRODUCER, EXCEPT THAT, WITH RESPECT TO
34 A TELEVISION SERIES, OTHER THAN A PILOT PRODUCTION, INSTEAD OF A SCRIPT THE
35 APPLICANT MUST INCLUDE:

36 (a) A SYNOPSIS OF THE GENERAL NATURE OF THE SERIES.

37 (b) A DESCRIPTION OF THE CHARACTERS AND THE INTENDED NATURE OF THEIR
38 INTERACTION WITH EACH OTHER.

39 (c) A DESCRIPTION OF THE LOCATIONS.

40 (d) A DESCRIPTION OF THE SETS.

41 (e) THE INTENDED DISTRIBUTION OR BROADCAST MEDIUM WITH SPECIFIC
42 TELEVISION NETWORKS, IF KNOWN.

43 9. AN AFFIRMATION SIGNED BY A PRINCIPAL OF THE PRODUCTION COMPANY WHO
44 WILL BE CREDITED ON-SCREEN AS THE PRODUCER OR PRODUCERS OF THE MOTION PICTURE

1 THAT THE MULTIMEDIA PRODUCTION COMPANY AGREES TO FURNISH RECORDS OF
2 EXPENDITURES IN THIS STATE TO THE LIAISON ON REQUEST.

3 D. WITHIN TEN DAYS AFTER SUBMITTING THE INITIAL APPLICATION UNDER
4 SUBSECTION C OF THIS SECTION, THE APPLICANT MUST NOTIFY THE LIAISON OF THE
5 APPLICANT'S OFFICE ADDRESS AND TELEPHONE NUMBER IN THIS STATE.

6 E. THE LIAISON SHALL ESTABLISH THE PROCESS FOR QUALIFYING AND
7 PREAPPROVING A PRODUCTION COMPANY FOR A TAX CREDIT UNDER THIS SECTION AS
8 FOLLOWS:

9 1. THE LIAISON MAY ADOPT A SCHEDULE FOR RECEIVING APPLICATIONS DURING
10 EACH YEAR AS NECESSARY TO EXPEDITE AND MANAGE THE APPLICATION REVIEW AND
11 EVALUATION PROCESS.

12 2. EACH APPLICATION MUST BE ACCOMPANIED BY A NONREFUNDABLE APPLICATION
13 FEE IN AN AMOUNT ESTABLISHED BY THE CHIEF EXECUTIVE OFFICER OF THE ARIZONA
14 COMMERCE AUTHORITY. THE LIAISON SHALL DEPOSIT THE REVENUES FROM THE FEE IN
15 THE MULTIMEDIA PRODUCTION FUND ESTABLISHED BY SECTION 41-1527.03.

16 3. WITHIN THIRTY DAYS AFTER RECEIVING A COMPLETE APPLICATION
17 CONTAINING THE INFORMATION REQUIRED BY SUBSECTION C OF THIS SECTION, THE
18 LIAISON SHALL REVIEW THE APPLICATION TO DETERMINE WHETHER THE MULTIMEDIA
19 PRODUCTION COMPANY SATISFIES ALL OF THE CRITERIA NECESSARY TO RECEIVE
20 PREAPPROVAL UNDER THIS SUBSECTION.

21 4. THE LIAISON SHALL ISSUE TO A QUALIFYING APPLICANT A PREAPPROVAL
22 LETTER THAT IS EFFECTIVE FOR THE PURPOSES OF THIS SECTION FOR TWENTY-FOUR
23 MONTHS AS STATED IN THE LETTER.

24 F. THE LIAISON MAY CONDUCT A SITE VISIT TO VERIFY THAT PRODUCTION HAS
25 BEGUN.

26 G. PREAPPROVAL OF A PRODUCTION LAPSES, THE APPLICATION IS VOID AND THE
27 AMOUNT OF THE PREAPPROVED CREDIT DOES NOT APPLY AGAINST THE DOLLAR LIMIT
28 PRESCRIBED BY SUBSECTION H OF THIS SECTION IF, WITHIN NINETY DAYS AFTER THE
29 LIAISON PREAPPROVES THE PRODUCTION, THE PRODUCTION COMPANY FAILS TO PROVIDE
30 DOCUMENTATION OF EITHER:

31 1. ITS EXPENDITURE IN THIS STATE OF THE LESSER OF:

32 (a) TEN PER CENT OF THE ESTIMATED TOTAL STATED BUDGET OF THE
33 PRODUCTION.

34 (b) TWO HUNDRED FIFTY THOUSAND DOLLARS.

35 2. A COMPLETION BOND, EQUAL TO THE ESTIMATED TOTAL BUDGET OF THE
36 PREAPPROVED PRODUCTION. FOR THE PURPOSES OF THIS PARAGRAPH, "COMPLETION
37 BOND" MEANS AN EXECUTED WRITTEN CONTRACT, ISSUED BY AN INSURANCE COMPANY WITH
38 AN INSURANCE INDUSTRY RATING OF B+ OR BETTER BY A.M. BEST COMPANY
39 GUARANTEEING TO THE FINANCIERS OF THE PROJECT THAT THE PRODUCTION WILL BE
40 COMPLETED ACCORDING TO THE TERMS OF THE PREAPPROVED APPLICATION SUBMITTED BY
41 THE PRODUCTION COMPANY IN ITS APPLICATION.

42 H. THE LIAISON SHALL NOT PREAPPROVE INCOME TAX CREDITS FOR THE
43 PURPOSES OF SECTIONS 43-1075, 43-1075.01, 43-1163 AND 43-1163.01 THAT EXCEED
44 A TOTAL OF SEVENTY MILLION DOLLARS FOR ANY FISCAL YEAR. OF THAT AMOUNT:

1 1. TEN MILLION DOLLARS IS RESERVED EACH FISCAL YEAR FOR THE PURPOSES
2 OF PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITY CREDITS PURSUANT TO
3 SECTIONS 43-1075.01 AND 43-1163.01.

4 2. SIXTY MILLION DOLLARS, ALLOCATED EQUALLY AMONG ANY PERIODIC
5 APPLICATION PERIODS ADOPTED UNDER SUBSECTION E, PARAGRAPH 1 OF THIS SECTION,
6 FOR THE PURPOSES OF MULTIMEDIA PRODUCTION INCOME TAX CREDITS PURSUANT TO
7 SECTIONS 43-1075 AND 43-1163. THE AMOUNT OF THE CREDIT FOR AN INDIVIDUAL
8 PRODUCTION SHALL BE CALCULATED PURSUANT TO SECTION 43-1075 OR 43-1163, AS
9 APPLICABLE, AND IS LIMITED TO FIFTEEN MILLION DOLLARS FOR ANY INDIVIDUAL
10 PRODUCTION.

11 I. A PREAPPROVED AMOUNT APPLIES AGAINST THE DOLLAR LIMIT PRESCRIBED BY
12 SUBSECTION H OF THIS SECTION FOR THE FISCAL YEAR IN WHICH THE APPLICATION WAS
13 SUBMITTED REGARDLESS OF WHETHER THE INITIAL PREAPPROVAL PERIOD EXTENDS INTO
14 THE FOLLOWING YEAR OR YEARS. BEFORE THE EXPIRATION OF THE INITIAL
15 PREAPPROVAL OR REQUALIFICATION PERIOD, A PRODUCTION COMPANY MAY VOLUNTARILY
16 RELINQUISH UNUSED CREDIT AMOUNTS.

17 J. THE LIAISON SHALL ALLOCATE THE INCOME TAX CREDITS BASED ON PRIORITY
18 PLACEMENT ESTABLISHED BY THE DATE THE PRODUCTION COMPANY FILES ITS
19 APPLICATION, EXCEPT THAT:

20 1. A TELEVISION SERIES PRODUCTION SHALL BE GIVEN PRIORITY PLACEMENT
21 BEFORE ANY OTHER PRODUCTION THAT HAS NOT ALREADY RECEIVED PREAPPROVAL.

22 2. A TELEVISION SERIES THAT WAS PREAPPROVED IN A PREVIOUS YEAR AND
23 OTHERWISE MET THE REQUIREMENTS OF THIS SECTION SHALL BE GIVEN PRIORITY
24 PLACEMENT BEFORE ANY OTHER NEW APPLICANT IN THE FOLLOWING YEAR, OTHER THAN
25 ANOTHER TELEVISION SERIES WITH AN EARLIER PRIORITY PLACEMENT ESTABLISHED BY
26 THE DATE THAT TELEVISION SERIES PRODUCTION COMPANY FILED ITS INITIAL
27 APPLICATION FOR QUALIFICATION.

28 K. THE LIAISON SHALL REALLOCATE THE AMOUNT OF CREDITS THAT IS
29 VOLUNTARILY RELINQUISHED UNDER SUBSECTION I OF THIS SECTION, THAT LAPSES
30 UNDER SUBSECTION G OF THIS SECTION OR THAT LAPSES UNDER SUBSECTION M,
31 PARAGRAPH 1 OF THIS SECTION. THE CREDITS SHALL BE REALLOCATED TO OTHER
32 MULTIMEDIA PRODUCTION COMPANIES THAT APPLIED IN THE ORIGINAL CREDIT YEAR
33 BASED ON PRIORITY PLACEMENT AS PROVIDED BY SUBSECTION J OF THIS SECTION. IF
34 FOR ANY YEAR AN UNUSED BALANCE OCCURS IN THE CREDITS AUTHORIZED UNDER THE
35 DOLLAR LIMIT PRESCRIBED BY SUBSECTION H OF THIS SECTION, THE BALANCE SHALL BE
36 ALLOCATED TO MULTIMEDIA PRODUCTION COMPANIES THAT SUCCESSFULLY APPEAL THE
37 DENIAL OF APPROVAL UNDER SUBSECTION M OF THIS SECTION. THE AMOUNT OF ALL
38 CREDITS THAT ARE REALLOCATED UNDER THIS SUBSECTION APPLIES AGAINST THE DOLLAR
39 LIMIT OF THE ORIGINAL CREDIT YEAR REGARDLESS OF THE YEAR IN WHICH THE
40 REALLOCATION OCCURS.

41 L. ON COMPLETION OF A PREQUALIFIED MULTIMEDIA PRODUCTION AND AFTER
42 COMPLETION OF THE MANAGED REVIEW REQUIREMENTS UNDER SUBSECTION B, PARAGRAPH 3
43 OF THIS SECTION, THE MULTIMEDIA PRODUCTION COMPANY MUST:

44 1. APPLY TO THE LIAISON IN WRITING FOR POSTAPPROVAL OF INCOME TAX
45 CREDITS.

2. SUBMIT A VIEWABLE COPY OF THE MOTION PICTURE, EXCEPT THAT A MULTIMEDIA PRODUCTION COMPANY MAY APPLY FOR POSTAPPROVAL BEFORE A VIEWABLE COPY OF THE PRODUCTION IS AVAILABLE IF THE COMPANY SUBMITS WITH ITS APPLICATION A LETTER OF CREDIT, PAYABLE TO THE MULTIMEDIA PRODUCTION FUND, PROVIDING THAT WITHIN TWO BUSINESS DAYS AFTER THE ISSUER RECEIVES A WRITTEN DETERMINATION FROM THE LIAISON THAT THE PRODUCTION FAILS TO QUALIFY FOR THE TAX CREDITS THE ISSUER WILL PAY TO THE LIAISON THE FULL FACE VALUE OF THE INCOME TAX CREDITS IN THE APPLICATION. IF THE LIAISON DRAWS ON THE LETTER OF CREDIT, THE MONIES SHALL BE TRANSFERRED TO AND HELD IN AN INTEREST BEARING ACCOUNT PENDING THE FINAL OUTCOME OF AN APPEAL, IF ANY. THE LETTER OF CREDIT MAY BE RELEASED ON THE LIAISON'S DETERMINATION THAT THE COMPLETED PRODUCTION QUALIFIES FOR THE TAX CREDITS.

3. CERTIFY THE TOTAL AMOUNT OF ACTUAL ELIGIBLE PRODUCTION COSTS ASSOCIATED WITH THE PROJECT.

M. WITHIN NINETY DAYS AFTER THE MULTIMEDIA PRODUCTION COMPANY'S APPLICATION FOR POSTAPPROVAL, THE LIAISON MUST EITHER:

1. PROVIDE POSTAPPROVAL IF THE PRODUCTION COMPANY HAS MET THE ELIGIBILITY REQUIREMENTS OF THIS SECTION. IF THE AMOUNT OF APPROVED PRODUCTION COSTS IS LESS THAN THE PREAPPROVED AMOUNT, THE AMOUNT NOT INCLUDED IN POSTAPPROVAL LAPSES AND DOES NOT APPLY AGAINST THE DOLLAR LIMIT PRESCRIBED BY SUBSECTION H OF THIS SECTION FOR THAT YEAR. ON A DETERMINATION BY THE LIAISON THAT A MULTIMEDIA PRODUCTION COMPANY QUALIFIES FOR TAX CREDITS UNDER THIS SECTION, THE LIAISON SHALL ISSUE THE PRODUCTION COMPANY A WRITTEN LETTER OF QUALIFICATION.

2. REQUEST ADDITIONAL INFORMATION NECESSARY FOR A DETERMINATION OF ELIGIBILITY. IF THE PRODUCTION COMPANY SUPPLIES REQUESTED ADDITIONAL INFORMATION TO THE LIAISON, THE APPLICATION IS CONSIDERED TO BE APPROVED IF THE LIAISON FAILS TO TAKE FURTHER ACTION WITHIN THIRTY DAYS. IN ANY EVENT, ONE HUNDRED TWENTY DAYS AFTER THE PRODUCTION COMPANY'S APPLICATION FOR POSTAPPROVAL, THE APPLICATION IS CONSIDERED TO BE APPROVED WITH RESPECT TO ALL AMOUNTS NOT SUBJECT TO THE LIAISON'S REQUEST FOR ADDITIONAL INFORMATION.

3. ISSUE A DENIAL OF POSTAPPROVAL WITH WRITTEN FINDINGS SUPPORTING THE DENIAL. THE LIAISON SHALL DENY AN APPLICATION FOR POSTAPPROVAL SUBMITTED ON COMPLETION OF A PRODUCTION IF:

(a) THE PRODUCTION COMPANY DOES NOT MEET ALL OF THE ESTABLISHED CRITERIA PRESCRIBED IN SUBSECTION B OF THIS SECTION.

(b) THE LIAISON DETERMINES THAT, REGARDLESS OF THE PRODUCTION MEDIUM:

(i) THE PRODUCTION WOULD CONSTITUTE AN OBSCENE MOTION PICTURE FILM OR OBSCENE PICTORIAL PUBLICATION UNDER TITLE 12, CHAPTER 7, ARTICLE 1.1.

(ii) THE PRODUCTION DEPICTS SEXUAL ACTIVITY AS DEFINED IN SECTION 13-3501.

(iii) THE PRODUCTION WOULD CONSTITUTE SEXUAL EXPLOITATION OF A MINOR OR COMMERCIAL SEXUAL EXPLOITATION OF A MINOR UNDER TITLE 13, CHAPTER 35.1.

N. IF A PREAPPROVED MULTIMEDIA PRODUCTION COMPANY FAILS TO UNDERTAKE PRODUCTION AND ALSO FAILS TO VOLUNTARILY RELINQUISH THE UNUSED CREDIT AMOUNTS

FOR REALLOCATION AS PROVIDED BY SUBSECTION I OF THIS SECTION WITHIN THE NINETY-DAY PERIOD, THE LIAISON MAY DISQUALIFY THE PRODUCTION COMPANY AND ALL PERSONS SIGNING THE APPLICATION FOR PREAPPROVAL FROM RECEIVING, OR PARTICIPATING IN ANY MULTIMEDIA PRODUCTION COMPANY THAT APPLIES FOR OR RECEIVES, TAX CREDITS PURSUANT TO THIS SECTION FOR THREE YEARS AFTER THE ORIGINAL APPLICATION.

0. THE LIAISON SHALL:

1. ADOPT RULES, FORMS AND PROCEDURES AS NECESSARY TO FACILITATE THE ORDERLY APPLICATION, EVALUATION AND APPROVAL OF CREDITS UNDER SECTIONS 43-1075 AND 43-1163, AND POST THOSE RULES, FORMS AND PROCEDURES ON THE LIAISON'S OFFICIAL WEBSITE.

2. MAINTAIN ANNUAL DATA AND OTHER INFORMATION ON THE TOTAL AMOUNT OF MONIES CREDITED PURSUANT TO THIS SECTION.

P. ANY INFORMATION GATHERED FROM MULTIMEDIA PRODUCTION COMPANIES FOR THE PURPOSES OF THIS SECTION IS CONSIDERED CONFIDENTIAL TAXPAYER INFORMATION, EXCEPT THAT THE LIAISON SHALL PUBLISH THE FOLLOWING INFORMATION IN AN ANNUAL REPORT:

1. THE NAME OF EACH MULTIMEDIA PRODUCTION COMPANY, THE NUMBER OF DAYS SHOOTING IN THIS STATE AND THE NUMBER OF FULL-TIME EQUIVALENT RESIDENT EMPLOYEES, ITEMIZED BY PRODUCTIONS IN THE PREPRODUCTION, PRODUCTION AND POSTPRODUCTION STAGES OF ACTIVITY.

2. THE AMOUNT OF INCOME TAX CREDITS PREAPPROVED DURING THE TAXABLE YEAR.

3. THE AMOUNT OF CREDITS POSTAPPROVED WITH RESPECT TO EACH PRODUCTION DURING THE YEAR.

Q. FOR THE PURPOSES OF THIS SECTION:

1. "MULTIMEDIA PRODUCTION COMPANY" OR "PRODUCTION COMPANY" MEANS ANY PERSON PRIMARILY ENGAGED IN THE BUSINESS OF PRODUCING ENTERTAINMENT CONTENT CREATED IN WHOLE OR IN PART WITHIN THIS STATE, INCLUDING MOTION PICTURES, DOCUMENTARIES, LONG-FORM PRODUCTIONS, SPECIALS, SERIES, MINISERIES, SOUND RECORDINGS, VIDEOS AND MUSIC VIDEOS AND INTERSTITIALS, TELEVISION PROGRAMMING, INTERACTIVE TELEVISION, INTERACTIVE GAMES, VIDEOGAMES, COMMERCIALS, INFOMERCIALS, ANY FORMAT OF DIGITAL MEDIA, INCLUDING AN INTERACTIVE WEBSITE, CREATED FOR DISTRIBUTION OR EXHIBITION TO THE GENERAL PUBLIC, AND ANY TRAILER, PILOT, VIDEO TEASER OR DEMO CREATED PRIMARILY TO STIMULATE THE SALE, MARKETING, PROMOTION OR EXPLOITATION OF FUTURE INVESTMENT IN EITHER A PRODUCT OR A QUALIFIED PRODUCTION BY ANY MEANS AND MEDIA IN ANY DIGITAL FORMAT, FILM OR VIDEOTAPE. PRODUCTION COMPANY DOES NOT INCLUDE ANY ONGOING TELEVISION PROGRAM CREATED PRIMARILY AS NEWS, WEATHER OR FINANCIAL MARKET REPORTS, A PRODUCTION FEATURING CURRENT EVENTS, SPORTING EVENTS OR AN AWARDS SHOW OR OTHER GALA EVENT, A PRODUCTION WHOSE SOLE PURPOSE IS FUND-RAISING, A PRODUCTION USED FOR CORPORATE TRAINING OR IN-HOUSE CORPORATE ADVERTISING OR OTHER SIMILAR PRODUCTIONS FOR WHICH RECORDS ARE REQUIRED TO BE MAINTAINED UNDER 18 UNITED STATES CODE SECTION 2257.

1 2. "QUALIFIED PRODUCTION EXPENDITURE" MEANS THE FOLLOWING EXPENDITURES
2 DIRECTLY RELATED TO A PRODUCTION BY A PRODUCTION COMPANY:

3 (a) THE WAGES, SALARIES AND OTHER COMPENSATION THAT ARE SUBJECT TO
4 ARIZONA INCOME TAX AND THAT ARE PAID FOR TALENT, MANAGEMENT AND LABOR
5 PERFORMED IN THIS STATE, BUT, WITH RESPECT TO ANY INDIVIDUAL, NOT MORE THAN
6 ONE MILLION DOLLARS FOR A SINGLE PRODUCTION.

7 (b) FEES AND OTHER CHARGES FOR ATTORNEYS, ACCOUNTANTS AND OTHER
8 PROFESSIONAL SERVICES THAT MAY BE LAWFULLY RENDERED ONLY BY A PERSON LICENSED
9 OR OTHERWISE AUTHORIZED BY A LICENSING AUTHORITY IN THIS STATE TO RENDER THE
10 SERVICE.

11 (c) MATERIALS PURCHASED FROM A VENDOR LOCATED IN THIS STATE FOR
12 CONSTRUCTION OF SETS, SPECIAL EFFECTS AND OTHER PURPOSES.

13 (d) EQUIPMENT RENTED OR LEASED FROM A VENDOR LOCATED IN THIS STATE.

14 (e) EQUIPMENT ACQUIRED OR OTHERWISE PURCHASED FROM A VENDOR LOCATED IN
15 THIS STATE.

16 (f) FACILITIES LEASED FROM A LESSEE LOCATED IN THIS STATE FOR
17 PREPRODUCTION, PRODUCTION AND POSTPRODUCTION IN THIS STATE.

18 (g) HOTEL AND LODGING IN THIS STATE.

19 (h) FOOD EXPENSES, INCLUDING CATERING, PURCHASED IN THIS STATE.

20 (i) LOCATION FEES IN THIS STATE.

21 (j) POSTPRODUCTION EXPENSES IN THIS STATE.

22 (k) FUEL PURCHASED IN THIS STATE.

23 (l) VEHICLES RENTED IN THIS STATE.

24 3. "RESIDENT" MEANS AN INDIVIDUAL WHO HAS BEEN DOMICILED IN THIS STATE
25 FOR AT LEAST NINETY DAYS OR WHO IS OTHERWISE IN THIS STATE FOR OTHER THAN A
26 TEMPORARY OR TRANSITORY PURPOSE. EVIDENCE OF RESIDENCY INCLUDES AT LEAST ONE
27 OF THE FOLLOWING:

28 (a) CURRENT OWNERSHIP OF RESIDENTIAL PROPERTY.

29 (b) DRIVER LICENSE.

30 (c) NONOPERATING IDENTIFICATION LICENSE.

31 (d) MOTOR VEHICLE REGISTRATION.

32 (e) VOTER REGISTRATION.

33 (f) STATE TAX RECORDS IN THIS STATE.

34 (g) IN-STATE STUDENT CLASSIFICATION UNDER TITLE 15, CHAPTER 14,
35 ARTICLE 1.

36 4. "TELEVISION SERIES" MEANS A RECURRING OR EPISODIC PRODUCTION
37 INTENDED IN ITS PILOT OR INITIAL RUN FOR BROADCAST ON FREE OR SUBSCRIPTION
38 TELEVISION SERVICE THAT HAS A RUNNING TIME OF AT LEAST THIRTY MINUTES IN
39 LENGTH, INCLUDING COMMERCIAL ADVERTISEMENT AND INTERSTITIAL PROGRAMMING.

40 41-1527.02. Certifying privately funded multimedia production
41 facilities; report; definitions

42 A. THE MULTIMEDIA PRODUCTION LIAISON SHALL CERTIFY PRIVATELY FUNDED
43 MULTIMEDIA PRODUCTION FACILITIES FOR THE PURPOSES OF THE INCOME TAX CREDITS
44 PROVIDED BY SECTIONS 43-1075, 43-1075.01, 43-1163 AND 43-1163.01 IF THE

1 PRODUCTION FACILITY IS CERTIFIED BY THE LIAISON AS MEETING THE FOLLOWING
2 REQUIREMENTS:

3 1. THE PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITY MUST EMPLOY
4 RESIDENTS OF THIS STATE FOR AT LEAST FIFTY PER CENT OF ITS FULL-TIME
5 EMPLOYMENT POSITIONS IN THIS STATE. FOR THE PURPOSES OF THIS PARAGRAPH,
6 "RESIDENT" HAS THE SAME MEANING PRESCRIBED IN SECTION 41-1527.01.

7 2. THE PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITY MUST HAVE
8 CERTIFIED INFRASTRUCTURE INVESTMENT WITH A VALUE OF AT LEAST FIFTY MILLION
9 DOLLARS, DETERMINED AS FOLLOWS:

10 (a) THE PRODUCTION FACILITY MAY APPLY TO THE MULTIMEDIA PRODUCTION
11 LIAISON TO CERTIFY THE VALUE OF ITS INFRASTRUCTURE INVESTMENT.

12 (b) BEFORE SUBMITTING AN APPLICATION, THE PRODUCTION FACILITY SHALL
13 ENTER INTO A WRITTEN MANAGED REVIEW AGREEMENT WITH THE LIAISON THAT
14 ESTABLISHES THE REQUIREMENTS OF A MANAGED REVIEW TO BE CONDUCTED AT THE
15 PRODUCTION FACILITY'S EXPENSE. THE MANAGED REVIEW MUST BE CONDUCTED BY AN
16 INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT WHO IS SELECTED BY THE PRODUCTION
17 FACILITY, WHO IS LICENSED IN THIS STATE AND WHO IS APPROVED BY THE LIAISON.
18 THE CERTIFIED PUBLIC ACCOUNTANT AND THE FIRM THE CERTIFIED PUBLIC ACCOUNTANT
19 IS AFFILIATED WITH SHALL NOT REGULARLY PERFORM SERVICES FOR THE PRODUCTION
20 FACILITY OR ANY AFFILIATE OF THE PRODUCTION FACILITY. THE CERTIFIED PUBLIC
21 ACCOUNTANT SHALL PROVIDE WRITTEN FINDINGS AS REQUIRED BY THE MANAGED REVIEW
22 AGREEMENT. THE LIAISON SHALL REVIEW THE FINDINGS AND MAY FURTHER EXAMINE
23 RECORDS AND PERFORM OTHER REVIEWS THAT THE LIAISON CONSIDERS NECESSARY TO
24 VERIFY THAT THE MANAGED REVIEW SUBSTANTIALLY CONFORMS TO THE TERMS OF THE
25 MANAGED REVIEW AGREEMENT. THE LIAISON SHALL ACCEPT OR REJECT THE FINDINGS OF
26 THE MANAGED REVIEW. IF THE LIAISON REJECTS ALL OR PART OF THE MANAGED
27 REVIEW, THE LIAISON SHALL PROVIDE WRITTEN REASONS FOR THE REJECTION. IF THE
28 LIAISON ACCEPTS THE FINDINGS OF THE MANAGED REVIEW AND ISSUES A CERTIFICATION
29 OF INFRASTRUCTURE INVESTMENT VALUE, THAT AMOUNT IS ACCEPTED AND NOT SUBJECT
30 TO FURTHER REVIEW.

31 B. WITHIN THIRTY DAYS AFTER THE DATE OF APPLICATION, THE LIAISON SHALL
32 REVIEW EACH COMPLETE APPLICATION TO DETERMINE WHETHER THE APPLICANT SATISFIES
33 ALL OF THE CRITERIA REQUIRED BY THIS SECTION. THE LIAISON MAY CONDUCT A SITE
34 VISIT AS PART OF THE REVIEW PROCESS. IF THE LIAISON DETERMINES THAT THE
35 APPLICATION IS COMPLETE AND CORRECT AND THAT ALL OF THE CRITERIA REQUIRED BY
36 THIS SECTION ARE MET, THE LIAISON SHALL:

37 1. CERTIFY THE VALUE OF THE FACILITY BASED ON DOCUMENTATION SUBMITTED
38 WITH THE APPLICATION, INCLUDING THE FINDINGS OF THE MANAGED REVIEW UNDER
39 SUBSECTION A, PARAGRAPH 2, SUBDIVISION (b) OF THIS SECTION.

40 2. APPROVE THE INCOME TAX CREDIT UNDER SECTION 43-1075.01 OR
41 43-1163.01, AS APPLICABLE.

42 3. ISSUE A WRITTEN CERTIFICATE TO THE PRODUCTION FACILITY STATING THE
43 CERTIFIED AMOUNT OF THE INFRASTRUCTURE INVESTMENT AND NOTIFY THE DEPARTMENT
44 OF REVENUE OF THE CERTIFICATION.

1 C. THE LIAISON SHALL NOT CERTIFY MORE THAN ONE INCOME TAX CREDIT UNDER
2 THIS SECTION EACH FISCAL YEAR, AND NO CREDIT, COMPUTED AS FIFTEEN PER CENT OF
3 THE CERTIFIED INFRASTRUCTURE INVESTMENT, SHALL EXCEED TEN MILLION DOLLARS AS
4 PROVIDED BY SECTION 41-1527.01, SUBSECTION H, PARAGRAPH 1.

5 D. WITHIN SIXTY DAYS BEFORE THE END OF THE FISCAL YEAR, IF THE LIAISON
6 HAS PREAPPROVED AN INCOME TAX CREDIT UNDER THIS SECTION FOR THAT FISCAL YEAR,
7 THE LIAISON MAY ACCEPT APPLICATIONS FOR THE NEXT FISCAL YEAR, BUT PREAPPROVAL
8 OF ANY APPLICATION UNDER THIS SUBSECTION IS NOT EFFECTIVE UNTIL THE FIRST
9 BUSINESS DAY OF THE NEXT FISCAL YEAR.

10 E. PREAPPROVAL UNDER THIS SECTION LAPSES, THE APPLICATION IS VOID AND
11 THE AMOUNT OF THE PREAPPROVED CREDIT DOES NOT APPLY AGAINST THE LIMIT
12 PRESCRIBED BY SUBSECTION C OF THIS SECTION IF, WITHIN NINETY DAYS AFTER
13 PREAPPROVAL, THE PRODUCTION FACILITY FAILS TO PROVIDE DOCUMENTATION OF
14 EITHER:

15 1. A TOTAL EXPENDITURE OF FIVE MILLION DOLLARS IN THIS STATE.

16 2. A SURETY BOND EQUAL TO THE CERTIFIED INFRASTRUCTURE INVESTMENT
17 AMOUNT.

18 F. ON COMPLETION, THE PRODUCTION FACILITY MUST APPLY TO THE LIAISON IN
19 WRITING FOR POSTAPPROVAL OF THE CERTIFIED INFRASTRUCTURE INVESTMENT IN THE
20 PROJECT. IF THE APPLICANT HAS MET THE ELIGIBILITY REQUIREMENTS OF THIS
21 SECTION, THE LIAISON SHALL:

22 1. PROVIDE POSTAPPROVAL OF THE CERTIFIED INFRASTRUCTURE INVESTMENT
23 AMOUNT, BUT THE CALCULATED INCOME TAX CREDIT SHALL NOT EXCEED THE PREAPPROVED
24 AMOUNT UNDER THIS SECTION.

25 2. NOTIFY THE DEPARTMENT OF REVENUE THAT THE APPLICANT MAY CLAIM THE
26 INCOME TAX CREDIT PURSUANT TO SECTION 43-1075.01 OR 43-1163.01 IN THE
27 POSTAPPROVED AMOUNT DETERMINED UNDER PARAGRAPH 1 OF THIS SUBSECTION.

28 G. A PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITY SHALL MAINTAIN
29 DATA ON THE NUMBER OF PRODUCTIONS USING ITS FACILITY EACH YEAR AND REPORT
30 THAT INFORMATION TO THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE
31 PRESIDENT OF THE SENATE ON OR BEFORE DECEMBER 31 OF EACH YEAR.

32 H. ANY INFORMATION GATHERED FROM PRIVATELY FUNDED MULTIMEDIA
33 PRODUCTION FACILITIES FOR THE PURPOSES OF THIS SECTION IS CONSIDERED
34 CONFIDENTIAL TAXPAYER INFORMATION, EXCEPT THAT THE LIAISON SHALL PUBLISH IN
35 AN ANNUAL REPORT THE NAME OF EACH CERTIFIED PRODUCTION FACILITY, THE NUMBER
36 OF DAYS SHOOTING AND THE NUMBER OF FULL-TIME EQUIVALENT EMPLOYEES, ITEMIZED
37 BY PRODUCTIONS CURRENTLY IN THE PREPRODUCTION, PRODUCTION AND POSTPRODUCTION
38 STAGES OF ACTIVITY AT THE PRODUCTION FACILITY.

39 I. FOR THE PURPOSES OF THIS SECTION:

40 1. "INFRASTRUCTURE INVESTMENT" MEANS EXPENDITURES FOR SOUNDSTAGES AND
41 SUPPORT AND AUGMENTATION FACILITIES THAT ARE CONSTRUCTED IN THIS STATE AND
42 THAT ARE USED BY A PRODUCTION COMPANY BUT DOES NOT INCLUDE MOTION PICTURE
43 THEATERS AND OTHER COMMERCIAL EXHIBITION FACILITIES.

1 2. "PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITY" OR "PRODUCTION
2 FACILITY" MEANS A PERMANENT FACILITY IN THIS STATE OF ONE OR MORE SETS OR
3 STAGES USED:

4 (a) BY ANY PRODUCTION COMPANY OR COMPANIES AND ANY LAND, PERMANENT
5 BUILDINGS AND CAPITAL EQUIPMENT THAT ARE IN OR ADJACENT TO, AND NECESSARY FOR
6 THE OPERATION OF, THE FACILITY, INCLUDING PERMANENT FACILITIES USED TO
7 COMPLEMENT PRODUCTION NEEDS.

8 (b) FOR STAGING AND FILMING BY A PRODUCTION COMPANY AND ANY LAND,
9 PERMANENT BUILDINGS OR CAPITAL EQUIPMENT THAT IS IN OR ADJACENT TO, AND
10 NECESSARY FOR THE OPERATION OF, THE FACILITY, INCLUDING PERMANENT FACILITIES
11 USED TO COMPLEMENT MULTIMEDIA PRODUCTION NEEDS AND COMPLEMENT THE MULTIMEDIA
12 PRODUCTION.

13 3. "SOUNDSTAGE" MEANS A PERMANENT FACILITY IN THIS STATE OF ONE OR
14 MORE SETS OR STAGES USED PRIMARILY FOR STAGING AND FILMING BY A PRODUCTION
15 COMPANY AND ANY LAND, PERMANENT BUILDINGS OR CAPITAL EQUIPMENT THAT IS IN OR
16 ADJACENT TO, AND NECESSARY FOR THE OPERATION OF, A SOUNDSTAGE.

17 4. "SUPPORT AND AUGMENTATION FACILITIES" MEANS PERMANENT FACILITIES IN
18 THIS STATE THAT ARE USED TO COMPLEMENT PRODUCTION COMPANY NEEDS AND
19 COMPLEMENT THE PRODUCTION PROCESS.

20 41-1527.03. Multimedia production fund; exemption

21 A. THE MULTIMEDIA PRODUCTION FUND IS ESTABLISHED CONSISTING OF
22 REVENUES FROM THE APPLICATION FEE ASSESSED PURSUANT TO SECTION 41-1527.01,
23 SUBSECTION E, PARAGRAPH 2. THE MULTIMEDIA PRODUCTION LIAISON SHALL
24 ADMINISTER THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED TO THE
25 MULTIMEDIA PRODUCTION LIAISON FOR THE PURPOSES OF THIS ARTICLE.

26 B. ON NOTICE FROM THE LIAISON, THE STATE TREASURER SHALL INVEST AND
27 DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED
28 FROM INVESTMENT SHALL BE CREDITED TO THE FUND.

29 C. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190
30 RELATING TO LAPSING OF APPROPRIATIONS.

31 Sec. 2. Section 42-2003, Arizona Revised Statutes, is amended to read:

32 42-2003. Authorized disclosure of confidential information

33 A. Confidential information relating to:

34 1. A taxpayer may be disclosed to the taxpayer, its successor in
35 interest or a designee of the taxpayer who is authorized in writing by the
36 taxpayer. A principal corporate officer of a parent corporation may execute
37 a written authorization for a controlled subsidiary.

38 2. A corporate taxpayer may be disclosed to any principal officer, any
39 person designated by a principal officer or any person designated in a
40 resolution by the corporate board of directors or other similar governing
41 body.

42 3. A partnership may be disclosed to any partner of the partnership.
43 This exception does not include disclosure of confidential information of a
44 particular partner unless otherwise authorized.

1 4. An estate may be disclosed to the personal representative of the
2 estate and to any heir, next of kin or beneficiary under the will of the
3 decedent if the department finds that the heir, next of kin or beneficiary
4 has a material interest ~~which~~ THAT will be affected by the confidential
5 information.

6 5. A trust may be disclosed to the trustee or trustees, jointly or
7 separately, and to the grantor or any beneficiary of the trust if the
8 department finds that the grantor or beneficiary has a material interest that
9 will be affected by the confidential information.

10 6. Any taxpayer may be disclosed if the taxpayer has waived any rights
11 to confidentiality either in writing or on the record in any administrative
12 or judicial proceeding.

13 7. The name and taxpayer identification numbers of persons issued
14 direct payment permits may be publicly disclosed.

15 B. Confidential information may be disclosed to:

16 1. Any employee of the department whose official duties involve tax
17 administration.

18 2. The office of the attorney general solely for its use in
19 preparation for, or in an investigation that may result in, any proceeding
20 involving tax administration before the department or any other agency or
21 board of this state, or before any grand jury or any state or federal court.

22 3. The department of liquor licenses and control for its use in
23 determining whether a spirituous liquor licensee has paid all transaction
24 privilege taxes and affiliated excise taxes incurred as a result of the sale
25 of spirituous liquor, as defined in section 4-101, at the licensed
26 establishment and imposed on the licensed establishments by this state and
27 its political subdivisions.

28 4. Other state tax officials whose official duties require the
29 disclosure for proper tax administration purposes if the information is
30 sought in connection with an investigation or any other proceeding conducted
31 by the official. Any disclosure is limited to information of a taxpayer who
32 is being investigated or who is a party to a proceeding conducted by the
33 official.

34 5. The following agencies, officials and organizations, if they grant
35 substantially similar privileges to the department for the type of
36 information being sought, pursuant to statute and a written agreement between
37 the department and the foreign country, agency, state, Indian tribe or
38 organization:

39 (a) The United States internal revenue service, alcohol and tobacco
40 tax and trade bureau of the United States treasury, United States bureau of
41 alcohol, tobacco, firearms and explosives of the United States department of
42 justice, United States drug enforcement agency and federal bureau of
43 investigation.

44 (b) A state tax official of another state.

1 (c) An organization of states, federation of tax administrators or
2 multistate tax commission that operates an information exchange for tax
3 administration purposes.

4 (d) An agency, official or organization of a foreign country with
5 responsibilities that are comparable to those listed in subdivision (a), (b)
6 or (c) of this paragraph.

7 (e) An agency, official or organization of an Indian tribal government
8 with responsibilities comparable to the responsibilities of the agencies,
9 officials or organizations identified in subdivision (a), (b) or (c) of this
10 paragraph.

11 6. The auditor general, in connection with any audit of the department
12 subject to the restrictions in section 42-2002, subsection D.

13 7. Any person to the extent necessary for effective tax administration
14 in connection with:

15 (a) The processing, storage, transmission, destruction and
16 reproduction of the information.

17 (b) The programming, maintenance, repair, testing and procurement of
18 equipment for purposes of tax administration.

19 (c) The collection of the taxpayer's civil liability.

20 8. The office of administrative hearings relating to taxes
21 administered by the department pursuant to section 42-1101, but the
22 department shall not disclose any confidential information:

23 (a) Regarding income tax or withholding tax.

24 (b) On any tax issue relating to information associated with the
25 reporting of income tax or withholding tax.

26 9. The United States treasury inspector general for tax administration
27 for the purpose of reporting a violation of internal revenue code section
28 7213A (26 United States Code section 7213A), unauthorized inspection of
29 returns or return information.

30 10. The financial management service of the United States treasury
31 department for use in the treasury offset program.

32 11. The United States treasury department or its authorized agent for
33 use in the state income tax levy program and in the electronic federal tax
34 payment system.

35 12. The Arizona commerce authority for its use in:

36 (a) Qualifying renewable energy operations for the tax incentives
37 under sections 42-12006, 43-1083.01 and 43-1164.01.

38 (b) Qualifying businesses with a qualified facility for income tax
39 credits under sections 43-1083.03 and 43-1164.04.

40 (c) Fulfilling its annual reporting responsibility pursuant to section
41 41-1511, subsections U and V and section 41-1512, subsections U and V.

42 13. A prosecutor for purposes of section 32-1164, subsection C.

43 14. The state fire marshal for use in determining compliance with and
44 enforcing title 41, chapter 16, article 3.1.

1 15. The department of transportation for its use in administering taxes
2 and surcharges prescribed by title 28.

3 16. THE MULTIMEDIA PRODUCTION LIAISON FOR THE SOLE USE OF THE LIAISON
4 FOR THE PURPOSES OF:

5 (a) QUALIFYING AND APPROVING MULTIMEDIA PRODUCTION COMPANIES FOR THE
6 INCOME TAX CREDITS PROVIDED FOR MULTIMEDIA PRODUCTION UNDER SECTIONS 43-1075
7 AND 43-1163.

8 (b) FULFILLING THE ANNUAL REPORTING RESPONSIBILITY PURSUANT TO SECTION
9 41-1527.01, SUBSECTION P AND SECTION 41-1527.02, SUBSECTION H.

10 C. Confidential information may be disclosed in any state or federal
11 judicial or administrative proceeding pertaining to tax administration
12 pursuant to the following conditions:

13 1. One or more of the following circumstances must apply:

14 (a) The taxpayer is a party to the proceeding.

15 (b) The proceeding arose out of, or in connection with, determining
16 the taxpayer's civil or criminal liability, or the collection of the
17 taxpayer's civil liability, with respect to any tax imposed under this title
18 or title 43.

19 (c) The treatment of an item reflected on the taxpayer's return is
20 directly related to the resolution of an issue in the proceeding.

21 (d) Return information directly relates to a transactional
22 relationship between a person who is a party to the proceeding and the
23 taxpayer and directly affects the resolution of an issue in the proceeding.

24 2. Confidential information may not be disclosed under this subsection
25 if the disclosure is prohibited by section 42-2002, subsection C or D.

26 D. Identity information may be disclosed for purposes of notifying
27 persons entitled to tax refunds if the department is unable to locate the
28 persons after reasonable effort.

29 E. The department, on the request of any person, shall provide the
30 names and addresses of bingo licensees as defined in section 5-401, verify
31 whether or not a person has a privilege license and number, a distributor's
32 license and number or a withholding license and number or disclose the
33 information to be posted on the department's website or otherwise publicly
34 accessible pursuant to section 42-1124, subsection F and section 42-3201,
35 subsection A.

36 F. A department employee, in connection with the official duties
37 relating to any audit, collection activity or civil or criminal
38 investigation, may disclose return information to the extent that disclosure
39 is necessary to obtain information that is not otherwise reasonably
40 available. These official duties include the correct determination of and
41 liability for tax, the amount to be collected or the enforcement of other
42 state tax revenue laws.

43 G. If an organization is exempt from this state's income tax as
44 provided in section 43-1201 for any taxable year, the name and address of the
45 organization and the application filed by the organization on which the

1 department made its determination for exemption together with any papers
2 submitted in support of the application and any letter or document issued by
3 the department concerning the application are open to public inspection.

4 H. Confidential information relating to transaction privilege tax, use
5 tax, severance tax, jet fuel excise and use tax and ~~and~~ any other tax
6 collected by the department on behalf of the county may be disclosed to any
7 county, city or town tax official if the information relates to a taxpayer
8 who is or may be taxable by the county, city or town. Any taxpayer
9 information released by the department to the county, city or town:

10 1. May only be used for internal purposes.

11 2. May not be disclosed to the public in any manner that does not
12 comply with confidentiality standards established by the department. The
13 county, city or town shall agree in writing with the department that any
14 release of confidential information that violates the confidentiality
15 standards adopted by the department will result in the immediate suspension
16 of any rights of the county, city or town to receive taxpayer information
17 under this subsection.

18 I. The department may disclose statistical information gathered from
19 confidential information if it does not disclose confidential information
20 attributable to any one taxpayer. The department may disclose statistical
21 information gathered from confidential information, even if it discloses
22 confidential information attributable to a taxpayer, to:

23 1. The state treasurer in order to comply with the requirements of
24 section 42-5029, subsection A, paragraph 3.

25 2. The joint legislative income tax credit review committee and the
26 joint legislative budget committee staff in order to comply with the
27 requirements of section 43-221.

28 J. The department may disclose the aggregate amounts of any tax
29 credit, tax deduction or tax exemption enacted after January 1, 1994.
30 Information subject to disclosure under this subsection shall not be
31 disclosed if a taxpayer demonstrates to the department that such information
32 would give an unfair advantage to competitors.

33 K. Except as provided in section 42-2002, subsection C, confidential
34 information, described in section 42-2001, paragraph 1, subdivision (a), item
35 (ii), may be disclosed to law enforcement agencies for law enforcement
36 purposes.

37 L. The department may provide transaction privilege tax license
38 information to property tax officials in a county for the purpose of
39 identification and verification of the tax status of commercial property.

40 M. The department may provide transaction privilege tax, luxury tax,
41 use tax, property tax and severance tax information to the ombudsman-citizens
42 aide pursuant to title 41, chapter 8, article 5.

43 N. Except as provided in section 42-2002, subsection D, a court may
44 order the department to disclose confidential information pertaining to a
45 party to an action. An order shall be made only ~~upon~~ **ON** a showing of good

1 cause and that the party seeking the information has made demand ~~upon~~ ON the
2 taxpayer for the information.

3 O. This section does not prohibit the disclosure by the department of
4 any information or documents submitted to the department by a bingo licensee.
5 Before disclosing the information the department shall obtain the name and
6 address of the person requesting the information.

7 P. If the department is required or permitted to disclose confidential
8 information, it may charge the person or agency requesting the information
9 for the reasonable cost of its services.

10 Q. Except as provided in section 42-2002, subsection D, the department
11 of revenue shall release confidential information as requested by the
12 department of economic security pursuant to section 42-1122 or 46-291.
13 Information disclosed under this subsection is limited to the same type of
14 information that the United States internal revenue service is authorized to
15 disclose under section 6103(1)(6) of the internal revenue code.

16 R. Except as provided in section 42-2002, subsection D, the department
17 of revenue shall release confidential information as requested by the courts
18 and clerks of the court pursuant to section 42-1122.

19 S. To comply with the requirements of section 42-5031, the department
20 may disclose to the state treasurer, to the county stadium district board of
21 directors and to any city or town tax official that is part of the county
22 stadium district confidential information attributable to a taxpayer's
23 business activity conducted in the county stadium district.

24 T. The department shall release confidential information as requested
25 by the attorney general for purposes of determining compliance with and
26 enforcing section 44-7101, the master settlement agreement referred to
27 therein and subsequent agreements to which the state is a party that amend or
28 implement the master settlement agreement. Information disclosed under this
29 subsection is limited to luxury tax information relating to tobacco
30 manufacturers, distributors, wholesalers and retailers and information
31 collected by the department pursuant to section 44-7101(2)(j).

32 U. For proceedings before the department, the office of administrative
33 hearings, the board of tax appeals or any state or federal court involving
34 penalties that were assessed against a return preparer, an electronic return
35 preparer or a payroll service company pursuant to section 42-1103.02,
36 42-1125.01 or 43-419, confidential information may be disclosed only before
37 the judge or administrative law judge adjudicating the proceeding, the
38 parties to the proceeding and the parties' representatives in the proceeding
39 prior to its introduction into evidence in the proceeding. The confidential
40 information may be introduced as evidence in the proceeding only if the
41 taxpayer's name, the names of any dependents listed on the return, all social
42 security numbers, the taxpayer's address, the taxpayer's signature and any
43 attachments containing any of the foregoing information are redacted and if
44 either:

1 1. The treatment of an item reflected on such return is or may be
2 related to the resolution of an issue in the proceeding.

3 2. Such return or return information relates or may relate to a
4 transactional relationship between a person who is a party to the proceeding
5 and the taxpayer ~~which~~ THAT directly affects the resolution of an issue in
6 the proceeding.

7 3. The method of payment of the taxpayer's withholding tax liability
8 or the method of filing the taxpayer's withholding tax return is an issue for
9 the period.

10 V. The department may disclose to the attorney general confidential
11 information received under section 44-7111 and requested by the attorney
12 general for purposes of determining compliance with and enforcing section
13 44-7111. The department and attorney general shall share with each other the
14 information received under section 44-7111, and may share the information
15 with other federal, state or local agencies only for the purposes of
16 enforcement of section 36-798.06, 44-7101, ~~OR~~ 44-7111 or corresponding laws
17 of other states.

18 W. The department may provide the name and address of qualifying
19 hospitals and qualifying health care organizations, as defined in section
20 42-5001, to a business classified and reporting transaction privilege tax
21 under the utilities classification.

22 X. The department may disclose to the attorney general confidential
23 information requested by the attorney general for the purposes of determining
24 compliance with and enforcing section 36-798.06.

25 Y. The department may disclose to an official of any city, town or
26 county in a current agreement or considering a prospective agreement with the
27 department as described in section 42-5032.02, subsection F any information
28 relating to amounts subject to distribution required by section 42-5032.02.
29 Information disclosed by the department under this subsection:

- 30 1. May only be used by the city, town or county for internal purposes.
31 2. May not be disclosed to the public in any manner that does not
32 comply with confidentiality standards established by the department. The
33 city, town or county must agree with the department in writing that any
34 release of confidential information that violates the confidentiality
35 standards will result in the immediate suspension of any rights of the city,
36 town or county to receive information under this subsection.

37 Sec. 3. Section 43-222, Arizona Revised Statutes, is amended to read:
38 43-222. Income tax credit review schedule

39 The joint legislative income tax credit review committee shall review
40 the following income tax credits:

41 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087, 43-1088,
42 43-1090.01, 43-1167.01, 43-1175 and 43-1182.

43 2. For years ending in 1 and 6, sections 43-1074.02, 43-1083,
44 43-1083.02, 43-1085.01, 43-1164.02, 43-1164.03 and 43-1183.

3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080, 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1090, 43-1164, 43-1167, 43-1169, 43-1176 and 43-1181.

4. For years ending in 3 and 8, sections 43-1074.01, 43-1075, 43-1075.01, 43-1081, 43-1163, 43-1163.01, 43-1168, 43-1170 and 43-1178.

5. For years ending in 4 and 9, sections 43-1076, 43-1076.01, 43-1081.01, 43-1083.01, 43-1084, 43-1162, 43-1162.01, 43-1164.01, 43-1170.01 and 43-1184 and, beginning in 2019, sections 43-1083.03 and 43-1164.04.

Sec. 4. Title 43, chapter 10, article 5, Arizona Revised Statutes, is amended by adding sections 43-1075 and 43-1075.01, to read:

43-1075. Credit for qualified multimedia production expenditures in Arizona; definitions

A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2011 THROUGH TAXABLE YEARS ENDING ON OR BEFORE DECEMBER 31, 2022, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR QUALIFIED PRODUCTION EXPENDITURES DURING THE TAXABLE YEAR BY A MULTIMEDIA PRODUCTION COMPANY IN THIS STATE.

B. THE AMOUNT OF THE CREDIT WITH RESPECT TO ANY INDIVIDUAL PRODUCTION IS DETERMINED AS FOLLOWS:

1. TWENTY PER CENT OF THE AMOUNT OF QUALIFIED PRODUCTION EXPENDITURES EXCEEDING TWO HUNDRED FIFTY THOUSAND DOLLARS THAT ARE PREAPPROVED BY THE MULTIMEDIA PRODUCTION LIAISON PURSUANT TO SECTION 41-1527.01.

2. AN ADDITIONAL FIVE PER CENT OF THE AMOUNT OF QUALIFIED PRODUCTION EXPENDITURES EXCEEDING TWO HUNDRED FIFTY THOUSAND DOLLARS IF, FOR AT LEAST FIFTY PER CENT OF THE PRODUCTION, THE PRODUCTION COMPANY USES A PRIVATELY FUNDED PRODUCTION FACILITY THAT IS CERTIFIED BY THE MULTIMEDIA PRODUCTION LIAISON PURSUANT TO SECTION 41-1527.02.

3. AN ADDITIONAL FIVE PER CENT OF THE WAGES, INCLUDED AS QUALIFIED PRODUCTION EXPENDITURES, PAID TO RESIDENTS OF THIS STATE FOR WORK PERFORMED IN THIS STATE DIRECTLY RELATED TO THE PRODUCTION.

4. THE AMOUNT OF THE CREDIT SHALL NOT EXCEED FIFTEEN MILLION DOLLARS FOR ANY INDIVIDUAL PRODUCTION BY A QUALIFIED PRODUCTION COMPANY.

C. AN APPROVED CREDIT OFFSETS TAX LIABILITY FOR THE TAXABLE YEAR IN WHICH THE TAXPAYER RECEIVED POSTAPPROVAL FOR THE PRODUCTION. THE CREDITS MUST BE CLAIMED ON A TIMELY FILED ORIGINAL INCOME TAX RETURN, INCLUDING EXTENSIONS. THE DEPARTMENT SHALL NOT ALLOW A CREDIT UNDER THIS SECTION TO A TAXPAYER WHO HAS A DELINQUENT TAX BALANCE OWING TO THE DEPARTMENT UNDER THIS TITLE OR TITLE 42.

D. CO-OWNERS OF A MULTIMEDIA PRODUCTION COMPANY, INCLUDING PARTNERS IN A PARTNERSHIP, MEMBERS OF A LIMITED LIABILITY COMPANY AND SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL REVENUE CODE, MAY ALLOCATE THE CREDIT ALLOWED UNDER THIS SECTION AMONG THE CO-OWNERS ON ANY BASIS WITHOUT REGARD TO THEIR PROPORTIONAL OWNERSHIP INTEREST, EXCEPT THAT THE TOTAL OF THE CREDITS ALLOWED ALL SUCH OWNERS OF THE PRODUCTION COMPANY

1 MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED FOR A SOLE OWNER OF
2 THE COMPANY.

3 E. IF THE ALLOWABLE TAX CREDIT FOR A TAXPAYER EXCEEDS THE TAXES
4 OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO
5 STATE INCOME TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT
6 USED AS AN OFFSET AGAINST INCOME TAXES SHALL BE PAID TO THE TAXPAYER IN THE
7 SAME MANNER AS A REFUND UNDER SECTION 42-1118. REFUNDS MADE PURSUANT TO THIS
8 SUBSECTION ARE SUBJECT TO SETOFF UNDER SECTION 42-1122. IF THE DEPARTMENT
9 DETERMINES THAT ANY AMOUNT REFUNDED PURSUANT TO THIS SECTION IS INCORRECT OR
10 INVALID, THE EXCESS CREDIT AMOUNT REFUNDED MAY BE TREATED AS A TAX DEFICIENCY
11 PURSUANT TO SECTION 42-1108.

12 F. A TAXPAYER WHO CLAIMS A CREDIT FOR MULTIMEDIA PRODUCTION
13 EXPENDITURES UNDER THIS SECTION SHALL NOT CLAIM A CREDIT UNDER SECTION
14 43-1075.01 FOR THE SAME COSTS.

15 G. THE CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF ANY ALLOWANCE FOR
16 STATE TAX PURPOSES OF A DEDUCTION OF THOSE EXPENSES ALLOWED BY THE INTERNAL
17 REVENUE CODE.

18 H. FOR THE PURPOSES OF THIS SECTION, "MULTIMEDIA PRODUCTION COMPANY",
19 "QUALIFIED PRODUCTION EXPENDITURE" AND "RESIDENT" HAVE THE SAME MEANINGS
20 PRESCRIBED IN SECTION 41-1527.01.

21 43-1075.01. Credit for privately funded multimedia production
22 facilities; definition

23 A. THROUGH TAXABLE YEARS ENDING ON OR BEFORE DECEMBER 31, 2042, A
24 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR INVESTMENTS IN
25 PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITIES IN THIS STATE AS PROVIDED
26 BY SECTION 41-1527.02. THE AMOUNT OF THE CREDIT IS FIFTEEN PER CENT OF THE
27 POSTAPPROVED CERTIFIED INFRASTRUCTURE INVESTMENT IN THE PROJECT DURING THE
28 TAXABLE YEAR AS REPORTED BY THE MULTIMEDIA PRODUCTION LIAISON TO THE
29 DEPARTMENT PURSUANT TO SECTION 41-1527.02. THE TAXPAYER MAY APPLY THE CREDIT
30 AGAINST INCOME TAXES FOR THE TAXABLE YEAR IN WHICH THE PRIVATELY FUNDED
31 MULTIMEDIA PRODUCTION FACILITY IS COMPLETED.

32 B. THE DEPARTMENT SHALL NOT ALLOW A TAX CREDIT UNDER THIS SECTION TO A
33 TAXPAYER WHO HAS A DELINQUENT TAX BALANCE OWING TO THE DEPARTMENT UNDER THIS
34 TITLE OR TITLE 42.

35 C. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP,
36 MEMBERS OF A LIMITED LIABILITY COMPANY AND SHAREHOLDERS OF AN S CORPORATION
37 AS DEFINED IN SECTION 1361 OF THE INTERNAL REVENUE CODE, MAY ALLOCATE THE
38 CREDIT ALLOWED UNDER THIS SECTION AMONG THE CO-OWNERS ON ANY BASIS WITHOUT
39 REGARD TO THEIR PROPORTIONAL OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS
40 ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
41 ALLOWED FOR A SOLE OWNER OF THE COMPANY.

42 D. IF THE ALLOWABLE TAX CREDIT FOR A TAXPAYER EXCEEDS THE TAXES
43 OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO
44 TAXES DUE UNDER THIS TITLE, THE TAXPAYER MAY CARRY THE AMOUNT OF THE CLAIM

1 NOT USED TO OFFSET THE TAXES UNDER THIS TITLE FORWARD FOR NOT MORE THAN FIVE
2 CONSECUTIVE TAXABLE YEARS' INCOME TAX LIABILITY.

3 E. THE DEPARTMENT SHALL MAINTAIN ANNUAL DATA ON THE TOTAL AMOUNT OF
4 MONIES CREDITED PURSUANT TO THIS SECTION.

5 F. THE DEPARTMENT SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS
6 AND PROCEDURES AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS SECTION.

7 G. A TAXPAYER WHO CLAIMS A CREDIT FOR A PRIVATELY FUNDED MULTIMEDIA
8 PRODUCTION FACILITY UNDER THIS SECTION SHALL NOT CLAIM A CREDIT UNDER SECTION
9 43-1075 FOR THE SAME COSTS.

10 H. THE CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF ANY ALLOWANCE FOR
11 STATE TAX PURPOSES OF A DEDUCTION OF THOSE EXPENSES ALLOWED BY THE INTERNAL
12 REVENUE CODE.

13 I. FOR THE PURPOSES OF THIS SECTION, "PRIVATELY FUNDED MULTIMEDIA
14 PRODUCTION FACILITY" HAS THE SAME MEANING PRESCRIBED IN SECTION 41-1527.02.

15 Sec. 5. Title 43, chapter 11, article 6, Arizona Revised Statutes, is
16 amended by adding sections 43-1163 and 43-1163.01, to read:

17 43-1163. Credit for qualified multimedia production
18 expenditures in Arizona; definitions

19 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2012
20 THROUGH TAXABLE YEARS ENDING ON OR BEFORE DECEMBER 31, 2022, A CREDIT IS
21 ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR QUALIFIED PRODUCTION
22 EXPENDITURES DURING THE TAXABLE YEAR BY A MULTIMEDIA PRODUCTION COMPANY IN
23 THIS STATE.

24 B. THE AMOUNT OF THE CREDIT WITH RESPECT TO ANY INDIVIDUAL PRODUCTION
25 IS DETERMINED AS FOLLOWS:

26 1. TWENTY PER CENT OF THE AMOUNT OF QUALIFIED PRODUCTION EXPENDITURES
27 EXCEEDING TWO HUNDRED FIFTY THOUSAND DOLLARS THAT ARE PREAPPROVED BY THE
28 MULTIMEDIA PRODUCTION LIAISON PURSUANT TO SECTION 41-1527.01.

29 2. AN ADDITIONAL FIVE PER CENT OF THE AMOUNT OF QUALIFIED PRODUCTION
30 EXPENDITURES EXCEEDING TWO HUNDRED FIFTY THOUSAND DOLLARS IF, FOR AT LEAST
31 FIFTY PER CENT OF THE PRODUCTION, THE PRODUCTION COMPANY USES A PRIVATELY
32 FUNDED PRODUCTION FACILITY THAT IS CERTIFIED BY THE MULTIMEDIA PRODUCTION
33 LIAISON PURSUANT TO SECTION 41-1527.02.

34 3. AN ADDITIONAL FIVE PER CENT OF THE WAGES, INCLUDED AS QUALIFIED
35 PRODUCTION EXPENDITURES, PAID TO RESIDENTS OF THIS STATE FOR WORK PERFORMED
36 IN THIS STATE DIRECTLY RELATED TO THE PRODUCTION.

37 4. THE AMOUNT OF THE CREDIT SHALL NOT EXCEED FIFTEEN MILLION DOLLARS
38 FOR ANY INDIVIDUAL PRODUCTION BY A QUALIFIED PRODUCTION COMPANY.

39 C. AN APPROVED CREDIT OFFSETS TAX LIABILITY FOR THE TAXABLE YEAR IN
40 WHICH THE TAXPAYER RECEIVED POSTAPPROVAL FOR THE PRODUCTION. THE CREDITS
41 MUST BE CLAIMED ON A TIMELY FILED ORIGINAL INCOME TAX RETURN, INCLUDING
42 EXTENSIONS. THE DEPARTMENT SHALL NOT ALLOW A CREDIT UNDER THIS SECTION TO A
43 TAXPAYER WHO HAS A DELINQUENT TAX BALANCE OWING TO THE DEPARTMENT UNDER THIS
44 TITLE OR TITLE 42.

D. CO-OWNERS OF A MULTIMEDIA PRODUCTION COMPANY, INCLUDING CORPORATE PARTNERS IN A PARTNERSHIP AND MEMBERS OF A LIMITED LIABILITY COMPANY, MAY ALLOCATE THE CREDIT ALLOWED UNDER THIS SECTION AMONG THE CO-OWNERS ON ANY BASIS WITHOUT REGARD TO THEIR PROPORTIONAL OWNERSHIP INTEREST, EXCEPT THAT THE TOTAL OF THE CREDITS ALLOWED ALL SUCH OWNERS OF THE PRODUCTION COMPANY MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED FOR A SOLE OWNER OF THE COMPANY.

E. IF THE ALLOWABLE TAX CREDIT FOR A TAXPAYER EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO STATE INCOME TAXES DUE ON THE CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED AS AN OFFSET AGAINST INCOME TAXES SHALL BE PAID TO THE TAXPAYER IN THE SAME MANNER AS A REFUND UNDER SECTION 42-1118. REFUNDS MADE PURSUANT TO THIS SUBSECTION ARE SUBJECT TO SETOFF UNDER SECTION 42-1122. IF THE DEPARTMENT DETERMINES THAT ANY AMOUNT REFUNDED PURSUANT TO THIS SECTION IS INCORRECT OR INVALID, THE EXCESS CREDIT AMOUNT REFUNDED MAY BE TREATED AS A TAX DEFICIENCY PURSUANT TO SECTION 42-1108.

F. A TAXPAYER THAT CLAIMS A CREDIT FOR MULTIMEDIA PRODUCTION EXPENDITURES UNDER THIS SECTION SHALL NOT CLAIM A CREDIT UNDER SECTION 43-1163.01 FOR THE SAME COSTS.

G. THE CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF ANY ALLOWANCE FOR STATE TAX PURPOSES OF A DEDUCTION OF THOSE EXPENSES ALLOWED BY THE INTERNAL REVENUE CODE.

H. FOR THE PURPOSES OF THIS SECTION, "MULTIMEDIA PRODUCTION COMPANY", "QUALIFIED PRODUCTION EXPENDITURE" AND "RESIDENT" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION 41-1527.01.

43-1163.01. Credit for privately funded multimedia production facilities: definition

A. THROUGH TAXABLE YEARS ENDING ON OR BEFORE DECEMBER 31, 2042, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR INVESTMENTS IN PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITIES IN THIS STATE AS PROVIDED BY SECTION 41-1527.02. THE AMOUNT OF THE CREDIT IS FIFTEEN PER CENT OF THE POSTAPPROVED CERTIFIED INFRASTRUCTURE INVESTMENT IN THE PROJECT DURING THE TAXABLE YEAR AS REPORTED BY THE MULTIMEDIA PRODUCTION LIAISON TO THE DEPARTMENT PURSUANT TO SECTION 41-1527.02. THE TAXPAYER MAY APPLY THE CREDIT AGAINST INCOME TAXES FOR THE TAXABLE YEAR IN WHICH THE PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITY IS COMPLETED.

B. THE DEPARTMENT SHALL NOT ALLOW A TAX CREDIT UNDER THIS SECTION TO A TAXPAYER THAT HAS A DELINQUENT TAX BALANCE OWING TO THE DEPARTMENT UNDER THIS TITLE OR TITLE 42.

C. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A PARTNERSHIP AND MEMBERS OF A LIMITED LIABILITY COMPANY, MAY ALLOCATE THE CREDIT ALLOWED UNDER THIS SECTION AMONG THE CO-OWNERS ON ANY BASIS WITHOUT REGARD TO THEIR PROPORTIONAL OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL SUCH OWNERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED FOR A SOLE OWNER OF THE COMPANY.

D. IF THE ALLOWABLE TAX CREDIT FOR A TAXPAYER EXCEEDS THE TAXES OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS TITLE, THE TAXPAYER MAY CARRY THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE YEARS' INCOME TAX LIABILITY.

E. THE DEPARTMENT SHALL MAINTAIN ANNUAL DATA ON THE TOTAL AMOUNT OF MONIES CREDITED PURSUANT TO THIS SECTION.

F. THE DEPARTMENT SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS SECTION.

G. A TAXPAYER THAT CLAIMS A CREDIT FOR A PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITY UNDER THIS SECTION SHALL NOT CLAIM A CREDIT UNDER SECTION 43-1163 FOR THE SAME COSTS.

H. THE CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF ANY ALLOWANCE FOR STATE TAX PURPOSES OF A DEDUCTION OF THOSE EXPENSES ALLOWED BY THE INTERNAL REVENUE CODE.

I. FOR THE PURPOSES OF THIS SECTION, "PRIVATELY FUNDED MULTIMEDIA PRODUCTION FACILITY" HAS THE SAME MEANING PRESCRIBED IN SECTION 41-1527.02.

Sec. 6. Multimedia production employment mentoring program; report

The multimedia production liaison shall work with universities and community colleges in this state to develop a program to encourage multimedia production companies that apply for income tax credits under title 41, chapter 10, article 2, Arizona Revised Statutes, as added by this act, to offer internships and mentoring programs for qualified students who are pursuing postsecondary degrees in motion picture and multimedia production.

Sec. 7. Employment report

On or before July 31, 2016, the multimedia production liaison shall report to the joint legislative income tax credit review committee on the employment of residents of this state in full-time positions in motion picture and multimedia production in this state that qualified for income tax credits under title 41, chapter 10, article 2, Arizona Revised Statutes, as added by this act.

Sec. 8. Purpose

Pursuant to section 43-223, Arizona Revised Statutes, the legislature enacts sections 43-1075 and 43-1163, Arizona Revised Statutes, as added by this act, to encourage development in this state of a strong capital and infrastructure base for multimedia production and related activity to achieve an independent, self-supporting industry. This objective is divided into immediate and long-term objectives as follows:

1. Attract private investment for the production of motion pictures in this state.

2. Develop a tax and capital infrastructure that encourages private development but does not require any company to use the infrastructure for purposes of the tax incentives.

- 1 3. Develop a system using income tax credits to encourage investments
2 in qualified production facilities.
- 3 4. Create high quality employment opportunities within this sector and
4 increase this state's global competitiveness by fully using economic
5 development tools within the motion picture and digital media industry.
- 6 5. Encourage spin-off development such as educational programs to
7 provide a labor force trained in all aspects of film and digital production.