

CHAPTER 194

(SB 324)

AN ACT relating to the entertainment industry.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. KRS 141.383 is amended to read as follows:

- (1) As used in this section:
- (a) "Above-the-line production crew" has the same meaning as in KRS 154.61-010;
 - (b) "Approved company" has the same meaning as in KRS 154.61-010;
 - (c) "Below-the-line production crew" has the same meaning as in KRS 154.61-010;
 - (d) "Continuous film production" has the same meaning as in KRS 154.61-010;
 - (e) "Council" means the Kentucky Film Leadership Council created in KRS 154.12-282;
 - (f) "Loan-out entity" has the same meaning as in KRS 154.61-010;
 - (g) **"Office" means the Kentucky Film Office created in Section 2 of this Act;**
 - (h) "Qualifying expenditure" has the same meaning as in KRS 154.61-010;
 - ~~(i)(h)~~ "Qualifying payroll expenditure" has the same meaning as in KRS 154.61-010;
 - ~~(j)(i)~~ "Secretary" has the same meaning as in KRS 154.61-010; and
 - ~~(k)(j)~~ "Tax incentive agreement" has the same meaning as *in* KRS 154.61-010.
- (2) (a) There is hereby created a tax credit against the tax imposed under KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in KRS 141.0205.
- (b) The incentive available under paragraph (a) of this section is:
- 1. A refundable credit for applications approved prior to April 27, 2018;
 - 2. A nonrefundable and nontransferable credit for applications approved on or after April 27, 2018, but before January 1, 2022; and
 - 3. A refundable credit for applications approved on or after January 1, 2022, if the provisions of paragraph (c) of this subsection are met.
- (c) 1. The total tax incentive approved under KRS 154.61-020 shall be limited to:
- a. ~~One hundred million dollars (\$100,000,000) for calendar year 2018 and each calendar year through the calendar year 2021;~~
 - ~~b. Seventy-five million dollars (\$75,000,000) for the calendar year 2022 and each calendar year thereafter; and~~
 - ~~b. Beginning with calendar year 2024, the amount in subdivision a. of this subparagraph shall be allocated accordingly:~~
 - i. Twenty-five million dollars (\$25,000,000) shall be allocated for all approved companies with a continuous film production; and
 - ii. On the first day of April 2025, and on April 1 of each calendar year thereafter, any unused balance allocated under subpart i. of this subdivision for continuous film productions shall be made available for all approved companies with a motion picture or entertainment production; **and**
 - c. 1. **Beginning with calendar year 2026, any unallocated balance of the amount allocated in subdivision a. of this subparagraph for the previous calendar year shall carry forward into the subsequent calendar year to be made available for approved companies with high-impact motion pictures, continuous film**

productions, or entertainment productions.

2. ***For purposes of this subdivision and Section 5 of this Act, the determination of a high-impact motion picture or entertainment production shall be based upon criteria established in administrative regulations promulgated under subsection (4)(c) of Section 5 of this Act.***

2. To qualify for the refundable credit, all applicants shall:
- a. Begin filming or production in Kentucky within ***one hundred eighty (180) days***~~[six (6) months]~~ of approval by the ***office***~~[council]~~; and
 - b. Complete filming or production in Kentucky within two (2) years of their production start date.
- (3) An approved company may receive a refundable tax credit if:
- (a) The department has received notification from the ***office***~~[council]~~ that the approved company has satisfied all requirements of KRS 154.61-020 and 154.61-030; and
 - (b) The approved company has provided a detailed cost report and sufficient documentation to the ***office***~~[council]~~, which has been forwarded by the ***office***~~[council]~~ to the department, that:
 1. The purchases of qualifying expenditures were made after the execution of the tax incentive agreement; and
 2. The approved company or loan-out entity has withheld income tax as required by KRS 141.310 on all qualified payroll expenditures, and remitted and certified the withheld amount to the department.
- (4) Interest shall not be allowed or paid on any refundable credits provided under this section.
- (5) The department may promulgate administrative regulations under KRS Chapter 13A to administer this section.
- (6) On or before September 1, 2010, and on or before each September 1 thereafter, for the immediately preceding fiscal year, the department shall report to the ***office***~~[council]~~ and the Interim Joint Committee on Appropriations and Revenue the names of the approved companies and the amounts of refundable income tax credit claimed.
- (7) No later than September 1, 2021, and by November 1 every four (4) years thereafter, the department and the Cabinet for Economic Development shall cooperatively provide historical data related to the tax credit allowed in this section and KRS 154.61-020 and 154.61-030, including data items beginning with tax credits claimed for taxable years beginning on or after January 1, 2018:
- (a) The name of the taxpayer claiming the tax credit;
 - (b) The date that the application was approved and the date the filming or production was completed;
 - (c) The taxable year in which the taxpayer claimed the tax credit;
 - (d) The total amount of the tax credit, including any amount denied, any amount applied against a tax liability, any amount refunded, and any amount remaining that may be claimed on a return filed in the future;
 - (e) Whether the taxpayer is a Kentucky-based company as defined in KRS 154.61-010;
 - (f) Whether the taxpayer films or produces a:
 1. Feature-length film, television program, ~~[or]~~ industrial film, ***video game, music video, or commercial***;
 2. National touring production of a Broadway show; or
 3. Documentary;
 - (g) Whether the filming or production was performed:
 1. Entirely in an enhanced county; or
 2. In whole or in part in any Kentucky county other than in an enhanced incentive county;
 - (h) The amount of qualifying expenditures incurred by the taxpayer;

- (i) The amount of qualifying payroll expenditures paid to:
 - 1. Resident below-the-line crew; and
 - 2. Nonresident below-the-line production crew;
 including the number of crew members in each category;
 - (j) The amount of qualifying payroll expenditures paid to:
 - 1. Resident above-the-line crew; and
 - 2. Nonresident above-the-line crew;
 including the number of crew members in each category; and
 - (k) A brief description of the type of motion picture or entertainment production project.
- (8) The information required to be reported under this section shall not be considered confidential taxpayer information and shall not be subject to KRS Chapter 131 or any other provisions of the Kentucky Revised Statutes prohibiting disclosure or reporting of information.

➔Section 2. KRS 154.12-280 is amended to read as follows:

- (1) There is created the Kentucky Film Office, which shall be attached to the Cabinet for Economic Development for administrative purposes only. The office shall be headed by an executive director selected and compensated as provided in KRS 154.12-282(2)(g)~~(e)~~. The executive director shall have the authority to hire staff, including a marketing and development director, contract for services, expend funds, and operate the normal business activities of the council.
- (2) The duties of the ~~Kentucky Film~~ office shall include but not be limited to:
 - (a) ***Reviewing all applications submitted for tax incentives in accordance with Section 6 of this Act;***
 - (b) ***Notifying the applicant within thirty (30) days of receipt and that:***
 - 1. ***The application is complete; or***
 - 2. ***Additional information is required;***
 - (c) ***Forwarding each eligible application to the cabinet for an economic analysis of the project;***
 - (d) ***Submitting the application and all related documents to the Kentucky Film Leadership Council for a final decision, if the analysis supports the project;***
 - (e) Coordinating with local and regional film offices or local tourism commissions on issues impacting the film industry in Kentucky, including streamlining local permitting processes;
 - ~~(f)(b)~~ Marketing Kentucky as a location for film production;
 - ~~(g)(e)~~ Providing assistance to production companies for compliance with Subchapter 61 of KRS Chapter 154;
 - ~~(h)(d)~~ Assisting film studios and workforce training programs to increase the film production workforce;
 - ~~(i)(e)~~ Coordinating with the Kentucky Film Leadership Council established in KRS 154.12-282 to develop marketing strategies to promote and grow the film production industry in Kentucky;
 - ~~(j)(f)~~ Creating a ~~Kentucky Film Office~~ website and a one-stop portal to provide information to film producers regarding studios, local and regional commissions, personnel, filming locations, permitting, and other matters relevant to the film industry; and
 - ~~(k)(g)~~ Adopting the recommendations of the council created pursuant to KRS 154.12-282 and promulgating regulations in accordance with KRS Chapter 13A necessary to conduct the operations of the office.
- (3) The office shall receive and retain all tax incentive application fees collected pursuant to KRS 154.61-030. The nonrefundable application fee ***that is that's*** currently payable to the office upon submission of a tax incentive

application shall be determined by the total amount of qualifying expenditures and qualifying payroll expenditures, as defined in KRS 154.61-010. If the total is:

- (a) Less than fifty thousand dollars (\$50,000), the application fee shall be two hundred fifty dollars (\$250);
 - (b) Between fifty thousand dollars (\$50,000) and one hundred thousand dollars (\$100,000), the application fee shall be five hundred dollars (\$500); or
 - (c) More than one hundred thousand dollars (\$100,000), the application fee shall be one thousand dollars (\$1,000).
- (4) The office may accept contributions, grants, and other property of value to hold and apply to projects for which the office is created. Any funds not expended at the close of a fiscal year shall not lapse but shall be carried forward into the next fiscal year. Notwithstanding KRS 142.406, for the period beginning July 1, 2025, and ending June 30, ~~2028~~~~2027~~, two and one-half percent (2.5%) of the transient room tax collected pursuant to KRS 142.400, up to the maximum amount of five hundred thousand dollars (\$500,000) *in each fiscal year*, shall be transferred to the office and dedicated to staff and operational costs.

➔Section 3. KRS 154.12-282 is amended to read as follows:

- (1) There is hereby established the Kentucky Film Leadership Council. The council shall be administratively attached to the Kentucky Film Office established in KRS 154.12-280.
- (2) The functions and purposes of the council shall be to:
 - (a) Review all applications for tax incentives under KRS 141.383 and Subchapter 61 of KRS Chapter 154;
 - (b) ***Review all related documents presented by the office;***
 - (c) ~~{to determine eligibility within twenty (20) days of receipt and forward each eligible application to the cabinet for an economic analysis of the project. Notwithstanding KRS 154.61-020, if the analysis supports the project, the application and all related documents shall be submitted back to the council to }~~Make ~~a~~~~the~~ final decision at a meeting held at the call of the chair regarding whether to authorize a tax incentive agreement ***if the cabinet's economic analysis supports the project***. The cabinet shall be responsible for negotiating, preparing, and executing tax incentive agreements under this section;
 - (d)~~{(b)}~~ Recommend policies and standards for the Kentucky Film Office~~{ created in KRS 154.12-280}~~;
 - (e)~~{(c)}~~ Develop comprehensive film industry strategies in partnership with the Cabinet for Economic Development, the Tourism, Arts and Heritage Cabinet, and the Education and Labor Cabinet;
 - (f)~~{(d)}~~ Partner with local and regional film offices, production studios, and relevant workforce training programs in Kentucky; and
 - (g)~~{(e)}~~ Conduct a nationwide search for the executive director of the Kentucky Film Office and make decisions regarding hiring and compensation. The salary of the executive director of the ~~{Kentucky Film Office}~~ shall not exceed two hundred twenty-five thousand dollars (\$225,000) and shall be exempt from KRS 64.640.
- (3) (a) The council shall consist of the following seven (7) voting members:
 - 1. The secretary of the Cabinet for Economic Development or his or her designee;
 - 2. The secretary of the Tourism, Arts and Heritage Cabinet or his or her designee;
 - 3. The secretary of the Education and Labor Cabinet or his or her designee; and
 - 4. Four (4) members who shall be appointed by the Governor as follows:
 - a. Two (2) representatives from Kentucky film production companies;
 - b. One (1) representative from a film profession, including but not limited to producers, actors, production accountants with film industry experience, or film financiers; and
 - c. One (1) representative who is the head of a local or regional film commission.
- (b) All members appointed by the Governor under ~~{paragraph (a)4. of }~~this subsection shall have knowledge of or experience in the Kentucky film industry. After the expiration of their initial terms, the appointed members shall serve a term of four (4) years and until a successor is appointed and qualified~~{ in accordance with paragraph (a)4. of this subsection}~~. Any vacancy that occurs shall be filled for the

unexpired term in the same manner as the original appointment. All members appointed by the Governor shall be subject to confirmation by the Senate as provided in KRS 11.160.

- (c) A majority of the members shall appoint the chair from among the members of the council.
- (d) Members shall serve without compensation but shall be reimbursed for necessary travel expenses.
- (e) The council shall meet at the call of the chair, *but not less than quarterly*.
- (f) A quorum shall be a majority of the membership of the council.
- (g) *A member of the council shall not be subject to any personal liability or accountability by reason of the execution of any obligation duly authorized by the council.*

➔Section 4. KRS 154.61-010 is amended to read as follows:

As used in this subchapter:

- (1) "Above-the-line production crew" means employees involved with the production of a motion picture or entertainment production whose salaries are negotiated prior to commencement of production, such as actors, directors, producers, and writers;
- (2) "Animated production" means a nationally distributed feature-length film created with the rapid display of a sequence of images using 2-D or 3-D graphics of artwork or model positions in order to create an illusion of movement;
- (3) "Approved company" means an eligible company approved for incentives provided under KRS 141.383 and 154.61-020;
- (4) "Below-the-line production crew" means employees involved with the production of a motion picture or entertainment production except above-the-line production crew. "Below-the-line production crew" includes but is not limited to:
 - (a) Casting assistants;
 - (b) Costume design;
 - (c) Extras;
 - (d) Gaffers;
 - (e) Grips;
 - (f) Location managers;
 - (g) Production assistants;
 - (h) Set construction staff; and
 - (i) Set design staff;
- (5) "Cabinet" means the Cabinet for Economic Development;
- (6) *"Certified audit" means an audit that:*
 - (a) *Contains production-related expenditures;*
 - (b) *Is completed within one hundred eighty (180) days of the completion of production in Kentucky; and*
 - (c) *Is conducted in accordance with the office's standards established by administrative regulations promulgated in accordance with KRS Chapter 13A, including the adoption of expenditure sampling procedures;*
- (7) "Commonwealth" means the Commonwealth of Kentucky;
- (8)~~(7)~~ "Compensation" means:
 - (a) Compensation included in adjusted gross income as *calculated in KRS 141.019*~~defined in KRS 141.010~~; *and*
 - (b) *The following:*

1. *Employer-paid payroll taxes;*
2. *Union and guild benefits;*
3. *Workers' compensation insurance premiums;*
4. *Payroll service fees; and*
5. *Qualifying per diem;*

(9)~~(8)~~ "Continuous film production" means a motion picture or entertainment production that:

- (a) 1. Has a projected ~~budget of a~~ minimum *spend* of ten million dollars (\$10,000,000) ~~per calendar year~~ for qualifying expenditures and qualifying payroll expenditures, *which may be a prorated amount based on the total budget of the production* ~~allocated to all qualifying motion picture or entertainment productions to be filmed or produced in Kentucky, with a minimum of one million five hundred thousand dollars (\$1,500,000) per production in Kentucky~~; and
2. Has a minimum of fifty percent (50%) of the funds available and the ability to raise the remaining funds necessary to complete the filming and production, which may be verified by:
 - a. Bank statements or other financial documents; or
 - b. A fundraising plan at the request of the *office* ~~council~~;
- (b) Demonstrates a distribution contract for each motion or entertainment production; *and*
- (c) ~~Films and produces a minimum of twelve (12) or more days per production within the Commonwealth;~~
~~and~~
- (d) ~~—~~ Maintains:
 1. An apprenticeship program or on-the-job training program as defined in KRS 343.010; or
 2. Partners with a film studies program with an accredited institution of postsecondary education located in the Commonwealth;

(10)~~(9)~~ "Council" means the Kentucky Film Leadership Council created in KRS 154.12-282;

(11)~~(10)~~ "Documentary" means a production based upon factual information and not subjective interjections;

(12)~~(11)~~ "Eligible company" means any person that intends to film or produce a motion picture or entertainment production in the Commonwealth;

(13)~~(12)~~ "Employee" has the same meaning as in KRS 141.010, and, for purposes of this subchapter, also may include the employees or independent contractors of an approved company or the employees of a loan-out entity engaged by an approved company if they meet the requirements of KRS 141.310;

(14)~~(13)~~ "*Employer-paid payroll taxes*" means the tax paid by an approved company as an employer under the Federal Insurance Contributions Act, 26 U.S.C. sec. 3101 et seq., and the approved company's share of contributions required under KRS Chapter 341;

(15) "Enhanced incentive county" has the same meaning as in KRS 154.32-010;

(16)~~(14)~~ "Feature-length film" means a live-action or animated production that is:

- (a) More than thirty (30) minutes in length; and
- (b) Produced for distribution in theaters or via digital format, including *broadcast, cable, and streaming* ~~but not limited to DVD, Internet, or mobile electronic devices~~;

(17)~~(15)~~ "Industrial film" means a business-to-business film that may be viewed by the public, including but not limited to videos used for training or for viewing at a trade show;

(18)~~(16)~~ "Kentucky-based company" has the same meaning as in KRS 164.6011;

(19)~~(17)~~ "Loan-out entity" means a corporation, partnership, limited liability company, or other entity through which an artist or other person is loaned out to perform services for the approved company. A loan-out entity shall be registered and in good standing with the Kentucky Secretary of State. Notwithstanding the business organization, the loan-out entity and all employees of and other persons performing services for the loan-out entity shall be subject to all applicable provisions of the Kentucky personal income tax and any applicable payroll or other tax provisions;

- (20)~~(18)~~ (a) "Motion picture or entertainment production" means:
1. The following if filmed in whole or in part, or produced in whole or in part, in the Commonwealth:
 - a. A feature-length film;
 - b. A television program;
 - c. An industrial film;~~[-or]~~
 - d. A documentary;~~[-or]~~
 - e. *A video game;*
 - f. *A music video; or*
 - g. *A commercial; or*
 2. A national touring production of a Broadway show produced in Kentucky.
- (b) "Motion picture or entertainment production" does not include the filming or production of obscene material or television coverage of news or athletic events;
- (21)~~(19)~~ "Obscene" has the same meaning as in KRS 531.010;
- (22)~~(20)~~ ***"Office" means the Kentucky Film Office created in Section 2 of this Act;***
- (23) ***"Payroll service fees" means administrative fees paid by an approved company to a third-party payroll service company providing Kentucky-based payroll processing for above-the-line and below-the-line production crew members;***
- (24) "Person" has the same meaning as in KRS 141.010;
- (25)~~(21)~~ (a) "Qualifying expenditure" means expenditures made in the Commonwealth for the following if directly used in or for a motion picture or entertainment production:
1. The production script and synopsis;
 2. Set construction and operations, wardrobe, accessories, and related services;
 3. Lease or rental of real property in Kentucky as a set location;
 4. Photography, sound synchronization, lighting, and related services;
 5. Editing and related services;
 6. Rental of facilities and equipment;
 7. Vehicle leases;
 8. Food; and
 9. Accommodations.
- (b) "Qualifying expenditure" does not include:
1. Kentucky sales and use tax paid by the approved company on the qualifying expenditure; *or*
 2. ***Distribution expenses;***
- (26)~~(22)~~ "Qualifying payroll expenditure" means compensation paid to above-the-line crew and below-the line crew while working on a motion picture or entertainment production in the Commonwealth if the compensation is for services performed in the Commonwealth;
- (27)~~(23)~~ ***"Qualifying per diem":***
- (a) ***Means:***
1. ***Meal and incidental allowance per diems, including those not taken on set, in the amounts established by the United States General Services Administration, if incurred in the Commonwealth; and***

2. *Hotel and other overnight living accommodations per diems, in the amounts established by the United States General Services Administration, if incurred in the Commonwealth; and*

(b) *Includes any amounts that:*

1. *Exceed the limits in paragraph (a)1. and 2. of this subsection; and*
2. *Are included in taxable compensation and subject to the withholding required under KRS Chapter 341;*

(28) "Resident" has the same meaning as in KRS 141.010;

~~(29)(24)~~ "Secretary" means the secretary of the Cabinet for Economic Development;

~~(30)(25)~~ "Tax incentive agreement" means the agreement entered into pursuant to KRS 154.61-030 between the council and the approved company;~~and~~

~~(31)(26)~~ "Television program" means any live-action or animated production or documentary, including but not limited to:

- (a) An episodic series;
- (b) A miniseries;
- (c) A television movie; or
- (d) A television pilot;

that is produced for distribution on television via broadcast, cable, or any digital format, including but not limited to cable, satellite, internet, or mobile electronic devices;

(32) *"Union and guild benefits" means any mandatory contributions to pension, health, and welfare plans paid by an approved company or a third-party payroll service company pursuant to a union or guild agreement entered into for the provision of services by above-the-line or below-the-line production crew members; and*

(33) *"Workers' compensation insurance premiums" means premiums paid by an approved company or a third-party payroll service company for the provision of workers' compensation covering above-the-line or below-the-line production crew members.*

➔Section 5. KRS 154.61-020 is amended to read as follows:

(1) The purposes of KRS 141.383 and this subchapter are to encourage:

- (a) The film and entertainment industry to choose locations in the Commonwealth for the filming and production of motion picture or entertainment productions;
- (b) The development of a film and entertainment industry in Kentucky;
- (c) Increased employment opportunities for the citizens of the Commonwealth within the film and entertainment industry; and
- (d) The development of a production and postproduction infrastructure in the Commonwealth for film production and touring Broadway show production facilities containing state-of-the-art technologies.

(2) The council, together with the Department of Revenue, shall administer the tax credit established by KRS 141.383, this section, and KRS 154.61-030.

(3) To qualify for the tax incentive provided in subsection (5) of this section, the following requirements shall be met:

(a) *For an approved company that films or produces a commercial in whole or in part in the Commonwealth, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be two hundred thousand dollars (\$200,000); and*

(b) For an approved company that is also a Kentucky-based company that:

1. Films or produces a feature-length film, television program, ~~for~~ industrial film, *video game, or music video* in whole or in part in the Commonwealth, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be *two hundred*~~one hundred twenty-five~~ thousand dollars (*\$200,000*)~~(\$125,000)~~;

2. Produces a national touring production of a Broadway show in whole or in part in the Commonwealth, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be twenty thousand dollars (\$20,000); or
 3. Films or produces a documentary in whole or in part in the Commonwealth, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be ten thousand dollars (\$10,000); and
- (c)~~(b)~~ For an approved company that is not a Kentucky-based company that:
1. Films or produces a feature-length film, television program, ~~for~~ industrial film, **video game, or music video** in whole or in part in the Commonwealth, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be **four hundred**~~two hundred fifty~~ thousand dollars (**\$400,000**)~~(\$250,000)~~; or
 2. Films or produces a documentary in whole or in part in the Commonwealth or that produces a national touring production of a Broadway show, the minimum combined total of qualifying expenditures and qualifying payroll expenditures shall be twenty thousand dollars (\$20,000).
- (4) (a) Beginning on January 1, 2022, the total tax incentive approved under KRS 141.383 and this subchapter shall be limited to seventy-five million dollars (\$75,000,000) for calendar year 2022 and each calendar year thereafter.
- (b) Beginning with calendar year 2024:
1. Twenty-five million dollars (\$25,000,000) shall be allocated for all approved companies with a continuous film production; and
 2. On the first day of July of each calendar year, any unused balance of the amount allocated under subparagraph 1. of this paragraph for continuous film productions shall be made available for all approved companies with motion picture or entertainment productions.
- (c) **Beginning with calendar year 2026, any unallocated balance of the amount allocated in paragraph (a) of this subsection for the previous calendar year shall carry forward into the subsequent calendar year to be made available for approved companies with high-impact motion pictures, continuous film productions, or entertainment productions. The council shall promulgate administrative regulations in accordance with KRS Chapter 13A to establish the criteria for a high-impact motion picture or entertainment production.**
- (5) (a) To qualify for the tax incentive available under KRS 141.383 and this subchapter, all applicants shall:
1. Begin filming or production in Kentucky within **one hundred eighty days (180)**~~six (6) months~~ of approval by the council;~~and~~
 2. Complete filming or production in Kentucky within two (2) years of the filming or production start date; **and**
 3. **Submit a certified audit to the office.**
- (b) The tax credit shall be against the Kentucky income tax imposed under KRS 141.020 or 141.040, and the limited liability entity tax imposed under KRS 141.0401, and shall be refundable as provided in KRS 141.383.
- (c) 1. For a **continuous film production filmed or produced in any Kentucky county; or a feature-length film, television program, industrial film, documentary, video game, music video, or national touring production of a Broadway show**~~motion picture or entertainment production or continuous film production~~ filmed or produced in its entirety in an enhanced incentive county;~~and~~
- the amount of the incentive shall be equal to thirty-five percent (35%) of the approved company's:
- a. Qualifying expenditures;
 - b. Qualifying payroll expenditures paid to resident and nonresident below-the-line production crew; and

- c. Qualifying payroll expenditures paid to resident and nonresident above-the-line production crew not to exceed one million dollars (\$1,000,000) in payroll expenditures per employee.
- 2. a. To the extent the approved company films or produces a motion picture or ~~entertainment production or~~ continuous film production in part in an enhanced incentive county and in part a Kentucky county that is not an enhanced incentive county, the approved company shall be eligible to receive the incentives provided in this paragraph for those expenditures incurred in the enhanced incentive county and all other expenditures shall be subject to the incentives provided in paragraph (d) of this subsection.
- b. The approved company shall track the requisite expenditures by county. If the approved company can demonstrate to the satisfaction of the cabinet that it is not practical to use a separate accounting method to determine the expenditures by county, the approved company shall determine the correct expenditures by county using an alternative method approved by the cabinet.
- (d) For a **commercial filmed or produced in any Kentucky county; or a feature-length film, television program, industrial film, documentary, video game, music video or national touring production of a Broadway show** ~~motion picture or entertainment production or continuous film production~~ filmed or produced in whole or in part in any Kentucky county other than in an enhanced incentive county; ~~the~~ the amount of the incentive shall be equal to:
 - 1. Thirty percent (30%) of the approved company's:
 - a. Qualifying expenditures;
 - b. Qualifying payroll expenditures paid to below-the-line production crew that are not residents; and
 - c. Qualifying payroll expenditures paid to above-the-line production crew that are not residents, not to exceed one million dollars (\$1,000,000) in payroll expenditures per employee; and
 - 2. Thirty-five percent (35%) of the approved company's:
 - a. Qualifying payroll expenditures paid to resident below-the-line production crew; and
 - b. Qualifying payroll expenditures paid to resident above-the-line production crew not to exceed one million dollars (\$1,000,000) in payroll expenditures per employee.

➔Section 6. KRS 154.61-030 is amended to read as follows:

- (1) An eligible company shall, ~~at least thirty (30) days~~ prior to incurring any expenditure for which recovery will be sought, file an application for tax incentives with the ~~office~~ **office**. The application shall include:
 - (a) The name and address of the applicant;
 - (b) Verification that the applicant is a Kentucky-based company;
 - (c) The preliminary production script or a detailed synopsis of the script;
 - (d) The locations where the filming or production will occur;
 - (e) The anticipated date on which filming or production shall begin in Kentucky;
 - (f) The anticipated date on which the applicant will complete incurring expenditures in Kentucky;
 - (g) The total anticipated qualifying expenditures;
 - (h) The total anticipated qualifying payroll expenditures for resident and nonresident above-the-line crew by county;
 - (i) The total anticipated qualifying payroll expenditures for resident and nonresident below-the-line crew by county;
 - (j) The address of a Kentucky location at which records of the production will be kept;
 - (k) An affirmation that if not for the incentive offered under this subchapter, the eligible company would not film or produce the production in the Commonwealth; and

- (1) Any other information the *office*~~{council}~~ may require.
- (2) The *office*~~{council}~~ shall notify the eligible company within thirty (30) days after receiving the application *that:*
 - (a) *The application is complete; or*
 - (b) *Additional information is required*~~{of its status}~~.
- (3) Upon receipt of the application and any additional information submitted *by the office and cabinet*, the council shall consider all submitted information and, if appropriate, authorize the execution of a tax incentive agreement between the council and the approved company, if the amount of anticipated tax credit from the application would not make the total tax credit approved for the calendar year exceed the annual tax credit cap under KRS 154.61-020(4).
- (4) The tax incentive agreement shall include the following provisions:
 - (a) The duties and responsibilities of the parties;
 - (b) A detailed description of the motion picture or entertainment production for which incentives are requested;
 - (c) The anticipated qualifying expenditures and qualifying payroll expenditures for resident and nonresident above-the-line and below-the-line crews by county;
 - (d) The minimum combined total of qualifying expenditures and qualifying payroll expenditures necessary for the approved company to qualify for incentives;
 - (e) That the approved company shall:
 1. Begin filming or production in Kentucky within *one hundred eighty (180) days*~~{six (6) months}~~ of approval by the council; and
 2. Complete production in Kentucky within two (2) years of their production start date;
 - (f) That the motion picture or entertainment production shall not include obscene materials and shall not negatively impact the economy or the tourism industry of the Commonwealth;
 - (g) That the execution of the agreement is not a guarantee of tax incentives and that actual receipt of the incentives shall be contingent upon the approved company meeting the requirements established by the tax incentive agreement;
 - (h) That the approved company shall submit to the *office and cabinet*~~{council}~~ within one hundred eighty (180) days of the completion of production in Kentucky for the motion picture or entertainment production:
 1. A detailed cost report of the qualifying expenditures *and*~~{,}~~ qualifying payroll expenditures;~~{,}~~
 2. *Certified audit*; and
 3. The latest version of the production script at the time of cost report submission;
 - (i) That the approved company shall provide the *office and cabinet*~~{council}~~ with documentation that the approved company or the associated loan-out entity has withheld income tax as required by KRS 141.310 or the individual income tax rate imposed by KRS 141.020 on all qualified payroll expenditures for which an incentive under this subchapter is sought;
 - (j) That, if the *cabinet*~~{council}~~ determines that the approved company has failed to comply with any of its obligations under the tax incentive agreement:
 1. The council may deny the incentives available to the approved company;
 2. Both the council and the Department of Revenue may pursue any remedy provided under the tax incentive agreement;
 3. The council may terminate the tax incentive agreement; and
 4. Both the council and the Department of Revenue may pursue any other remedy at law to which it may be entitled;

- (k) That the ~~cabinet~~~~council~~ and the Department of Revenue shall monitor the tax incentive agreement;
 - (l) That the approved company shall provide to the ~~cabinet~~~~council~~ and the Department of Revenue all information necessary to monitor the tax incentive agreement;
 - (m) That the council may share information with the Department of Revenue and the Interim Joint Committee on Appropriations and Revenue or any other entity the ~~cabinet~~~~council~~ determines is necessary for the purposes of monitoring and enforcing the terms of the tax incentive agreement;
 - (n) That the motion picture or entertainment production shall contain an acknowledgment that the motion picture or entertainment production was produced or filmed in the Commonwealth of Kentucky;
 - (o) That the approved company shall include screen credits in its final production, indicating the approved company received tax incentives from the Commonwealth of Kentucky;
 - (p) Terms of default;
 - (q) The method and procedures by which the approved company shall request and receive the incentive provided under KRS 141.383 and 154.61-020;
 - (r) That the approved company may be required to pay an administrative fee as authorized under subsection (5) of this section;~~and~~
 - (s) ***The approved company may be required to pay a fee of two thousand dollars (\$2,000) for expenses incurred as a result of preparation of the tax incentive agreement; and***
 - (t) Any other provisions deemed necessary or appropriate by the parties to the tax incentive agreement.
- (5) The council may require the approved company to pay an administrative fee, the amount of which shall be established by administrative regulation promulgated in accordance with KRS Chapter 13A. The administrative fee shall not exceed one-half of one percent (0.5%) of the estimated amount of tax incentive sought or five hundred dollars (\$500), whichever is greater.
- (6) Prior to commencement of activity as provided in a tax incentive agreement, the tax incentive agreement shall be approved by the council. Following approval by the council, the tax incentive agreement shall be submitted to the Government Contract Review Committee established by KRS 45A.705 for review, as provided in KRS 45A.695, 45A.705, and 45A.725.
- (7) The council shall notify the Department of Revenue following approval of an approved company. The notification shall include the name of the approved company, the name of the motion picture or entertainment production, the estimated amount of qualifying expenditures, the estimated date on which the approved company will complete filming or production in Kentucky, and any other information required by the department.
- (8) Within one hundred eighty days (180) days of completion of production in Kentucky for the motion picture or entertainment production, the approved company shall submit to the council:
- (a) A detailed cost report of:
 - 1.~~(a)~~ Qualifying expenditures;
 - 2.~~(b)~~ Qualifying payroll expenditures for resident and nonresident above-the-line crew by county; ***and***
 - 3.~~(c)~~ Qualifying payroll expenditures for resident and nonresident below-the-line crew by county;~~and~~
 - ~~(b)~~~~(d)~~ The latest version of the production script available at the time of cost report submission; ***and***
 - (c) ***The certified audit.***
- (9) (a) Cabinet staff shall review all information submitted for accuracy and shall confirm that all relevant provisions of the tax incentive agreement have been met.
- (b) Upon confirmation that all requirements of the tax incentive agreement have been met, cabinet staff shall review the latest version of the production script available at the time of cost report submission, and if they determine that the motion picture or entertainment production does not:
- 1. Contain visual or implied scenes that are obscene; or
 - 2. Negatively impact the economy or the tourism industry of the Commonwealth;

the council shall forward the detailed cost report to the Department of Revenue for calculation of the refundable credit.

(10) The Department of Revenue shall:

- (a) Verify that the approved company withheld the proper amount of income tax on qualifying payroll expenditures; and
- (b) Notify the council of the total amount of refundable credit available on qualifying expenditures and qualifying payroll expenditures.

→Section 7. Whereas, musicians and music venues are vital to the economy of the Commonwealth, the Kentucky Film Leadership Council is directed to study, examine, and evaluate the needs of Kentucky's musicians and music venues. The study shall be conducted by the executive director of the Kentucky Film Office or his or her designee, the secretary of the Cabinet for Economic Development or his or her designee, and the secretary of the Education and Labor Cabinet or his or her designee. The study shall assess the needs of Kentucky musicians and music venues in this state and provide strategies regarding how the Commonwealth may further facilitate industry growth and the development of partnerships between state agencies, universities, and this vital industry. The study shall identify both opportunities and barriers this industry faces in expanding within the state. The findings and results of this study shall be submitted to the Legislative Research Commission by November 1, 2026, for referral to the Interim Joint Committee on Economic Development and Workforce Investment.

Signed by Governor April 23, 2026.