

1 AN ACT relating to the film industry credit.

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

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

4 (1) As used in this section:

5 (a) "Above-the-line production crew" has the same meaning as in KRS 154.61-  
6 010;

7 (b) "Approved company" has the same meaning as in KRS 154.61-010;

8 (c) "Below-the-line production crew" has the same meaning as in KRS 154.61-  
9 010;

10 (d) "Continuous film production" has the same meaning as in KRS 154.61-010;

11 (e) "Council" means the Kentucky Film Leadership Council created in KRS  
12 154.12-282;

13 (f) "Loan-out entity" has the same meaning as in KRS 154.61-010;

14 (g) **"Office" means the Kentucky Film Office created in Section 2 of this Act;**

15 **(h)** "Qualifying expenditure" has the same meaning as in KRS 154.61-010;

16 ~~**(i)**~~ ~~**(h)**~~ "Qualifying payroll expenditure" has the same meaning as in KRS  
17 154.61-010;

18 ~~**(j)**~~ ~~**(i)**~~ "Secretary" has the same meaning as in KRS 154.61-010; and

19 ~~**(k)**~~ ~~**(j)**~~ "Tax incentive agreement" has the same meaning as KRS 154.61-010.

20 (2) (a) There is hereby created a tax credit against the tax imposed under KRS  
21 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in  
22 KRS 141.0205.

23 (b) The incentive available under paragraph (a) of this section is:

24 1. A refundable credit for applications approved prior to April 27, 2018;

25 2. A nonrefundable and nontransferable credit for applications approved on  
26 or after April 27, 2018, but before January 1, 2022; and

27 3. A refundable credit for applications approved on or after January 1,

1 2022, if the provisions of paragraph (c) of this subsection are met.

2 (c) 1. The total tax incentive approved under KRS 154.61-020 shall be limited  
3 to:

4 a. ~~{One hundred million dollars (\$100,000,000) for calendar year~~  
5 ~~2018 and each calendar year through the calendar year 2021};~~

6 ~~b. }Seventy-five million dollars (\$75,000,000) for the calendar year~~  
7 ~~2022 and each calendar year thereafter;{and}~~

8 ~~b. {e.}~~ Beginning with calendar year 2024, the amount in subdivision  
9 ~~a. {b.}~~ of this subparagraph shall be allocated accordingly:

10 i. Twenty-five million dollars (\$25,000,000) shall be allocated  
11 for all approved companies with a continuous film  
12 production; and

13 ii. On the first day of April 2025, and on April 1 of each  
14 calendar year thereafter, any unused balance allocated under  
15 subpart i. of this subdivision for continuous film productions  
16 shall be made available for all approved companies with a  
17 motion picture or entertainment production; and

18 c. 1. Beginning with calendar year 2026, any unallocated  
19 balance of the amount allocated in subdivision a. of this  
20 subparagraph for the previous calendar year shall carry  
21 forward into the subsequent calendar year to be made  
22 available for approved companies with high-impact motion  
23 pictures, continuous film productions, or entertainment  
24 productions.

25 2. For purposes of this subdivision and Section 5 of this Act,  
26 the determination of a high-impact motion picture or  
27 entertainment production shall be based upon criteria

1 established in administrative regulations promulgated  
2 under subsection (4)(c) of Section 5 of this Act.

- 3 2. To qualify for the refundable credit, all applicants shall:
- 4 a. Begin filming or production in Kentucky within one hundred  
5 eighty (180) days~~[six (6) months]~~ of approval by the  
6 office~~[council]~~; and
- 7 b. Complete filming or production in Kentucky within two (2) years  
8 of their production start date.

- 9 (3) An approved company may receive a refundable tax credit if:
- 10 (a) The department has received notification from the office~~[council]~~ that the  
11 approved company has satisfied all requirements of KRS 154.61-020 and  
12 154.61-030; and
- 13 (b) The approved company has provided a detailed cost report and sufficient  
14 documentation to the office~~[council]~~, which has been forwarded by the  
15 office~~[council]~~ to the department, that:
- 16 1. The purchases of qualifying expenditures were made after the execution  
17 of the tax incentive agreement; and
- 18 2. The approved company or loan-out entity has withheld income tax as  
19 required by KRS 141.310 on all qualified payroll expenditures, and  
20 remitted and certified the withheld amount to the department.
- 21 (4) Interest shall not be allowed or paid on any refundable credits provided under this  
22 section.
- 23 (5) The department may promulgate administrative regulations under KRS Chapter  
24 13A to administer this section.
- 25 (6) On or before September 1, 2010, and on or before each September 1 thereafter, for  
26 the immediately preceding fiscal year, the department shall report to the  
27 office~~[council]~~ and the Interim Joint Committee on Appropriations and Revenue the

1 names of the approved companies and the amounts of refundable income tax credit  
2 claimed.

3 (7) No later than September 1, 2021, and by November 1 every four (4) years  
4 thereafter, the department and the Cabinet for Economic Development shall  
5 cooperatively provide historical data related to the tax credit allowed in this section  
6 and KRS 154.61-020 and 154.61-030, including data items beginning with tax  
7 credits claimed for taxable years beginning on or after January 1, 2018:

- 8 (a) The name of the taxpayer claiming the tax credit;
- 9 (b) The date that the application was approved and the date the filming or  
10 production was completed;
- 11 (c) The taxable year in which the taxpayer claimed the tax credit;
- 12 (d) The total amount of the tax credit, including any amount denied, any amount  
13 applied against a tax liability, any amount refunded, and any amount  
14 remaining that may be claimed on a return filed in the future;
- 15 (e) Whether the taxpayer is a Kentucky-based company as defined in KRS  
16 154.61-010;
- 17 (f) Whether the taxpayer films or produces a:
- 18 1. Feature-length film, television program, ~~or~~ industrial film, video game,  
19 music video, or commercial;
- 20 2. National touring production of a Broadway show; or
- 21 3. Documentary;
- 22 (g) Whether the filming or production was performed:
- 23 1. Entirely in an enhanced county; or
- 24 2. In whole or in part in any Kentucky county other than in an enhanced  
25 incentive county;
- 26 (h) The amount of qualifying expenditures incurred by the taxpayer;
- 27 (i) The amount of qualifying payroll expenditures paid to:

- 1           1. Resident below-the-line crew; and
- 2           2. Nonresident below-the-line production crew;
- 3           including the number of crew members in each category;
- 4       (j) The amount of qualifying payroll expenditures paid to:
- 5           1. Resident above-the-line crew; and
- 6           2. Nonresident above-the-line crew;
- 7           including the number of crew members in each category; and
- 8       (k) A brief description of the type of motion picture or entertainment production
- 9           project.
- 10   (8) The information required to be reported under this section shall not be considered
- 11       confidential taxpayer information and shall not be subject to KRS Chapter 131 or
- 12       any other provisions of the Kentucky Revised Statutes prohibiting disclosure or
- 13       reporting of information.
- 14       ➔Section 2. KRS 154.12-280 is amended to read as follows:
- 15   (1) There is created the Kentucky Film Office, which shall be attached to the Cabinet
- 16       for Economic Development for administrative purposes only. The office shall be
- 17       headed by an executive director selected and compensated as provided in KRS
- 18       154.12-282(2)(~~g~~)(~~e~~). The executive director shall have the authority to hire staff,
- 19       including a marketing and development director, contract for services, expend
- 20       funds, and operate the normal business activities of the council.
- 21   (2) The duties of the ~~[Kentucky Film]~~ office shall include but not be limited to:
- 22       (a) **Reviewing all applications submitted for tax incentives in accordance with**
- 23           **Section 6 of this Act;**
- 24       (b) **Notifying the applicant within thirty (30) days of receipt and that:**
- 25           **1. The application is complete; or**
- 26           **2. Additional information is required;**
- 27       (c) **Forwarding each eligible application to the cabinet for an economic**

1 *analysis of the project;*

2 *(d) Submitting the application and all related documents to the Kentucky Film*  
 3 *Leadership Council for a final decision, if the analysis supports the project;*

4 *(e)* Coordinating with local and regional film offices or local tourism  
 5 commissions on issues impacting the film industry in Kentucky, including  
 6 streamlining local permitting processes;

7 *(f)*~~*(b)*~~ Marketing Kentucky as a location for film production;

8 *(g)*~~*(c)*~~ Providing assistance to production companies for compliance with  
 9 Subchapter 61 of KRS Chapter 154;

10 *(h)*~~*(d)*~~ Assisting film studios and workforce training programs to increase the  
 11 film production workforce;

12 *(i)*~~*(e)*~~ Coordinating with the Kentucky Film Leadership Council established in  
 13 KRS 154.12-282 to develop marketing strategies to promote and grow the  
 14 film production industry in Kentucky;

15 *(j)*~~*(f)*~~ Creating a ~~*Kentucky Film Office*~~ website and a one-stop portal to  
 16 provide information to film producers regarding studios, local and regional  
 17 commissions, personnel, filming locations, permitting, and other matters  
 18 relevant to the film industry; and

19 *(k)*~~*(g)*~~ Adopting the recommendations of the council created pursuant to KRS  
 20 154.12-282 and promulgating regulations in accordance with KRS Chapter  
 21 13A necessary to conduct the operations of the office.

22 (3) The office shall receive and retain all tax incentive application fees collected  
 23 pursuant to KRS 154.61-030. The nonrefundable application fee *that is*~~*that's*~~  
 24 currently payable to the office upon submission of a tax incentive application shall  
 25 be determined by the total amount of qualifying expenditures and qualifying payroll  
 26 expenditures, as defined in KRS 154.61-010. If the total is:

27 (a) Less than fifty thousand dollars (\$50,000), the application fee shall be two

- 1           hundred fifty dollars (\$250);
- 2           (b) Between fifty thousand dollars (\$50,000) and one hundred thousand dollars
- 3           (\$100,000), the application fee shall be five hundred dollars (\$500); or
- 4           (c) More than one hundred thousand dollars (\$100,000), the application fee shall
- 5           be one thousand dollars (\$1,000).
- 6           (4) The office may accept contributions, grants, and other property of value to hold and
- 7           apply to projects for which the office is created. Any funds not expended at the
- 8           close of a fiscal year shall not lapse but shall be carried forward into the next fiscal
- 9           year. Notwithstanding KRS 142.406, for the period beginning July 1, 2025, and
- 10          ending June 30, 2027, two and one-half percent (2.5%) of the transient room tax
- 11          collected pursuant to KRS 142.400, up to the maximum amount of five hundred
- 12          thousand dollars (\$500,000) ***in each fiscal year***, shall be transferred to the office
- 13          and dedicated to staff and operational costs.

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

- 15          (1) There is hereby established the Kentucky Film Leadership Council. The council
- 16          shall be administratively attached to the Kentucky Film Office established in KRS
- 17          154.12-280.
- 18          (2) The functions and purposes of the council shall be to:
- 19                  (a) Review all applications for tax incentives under KRS 141.383 and Subchapter
- 20                  61 of KRS Chapter 154;
- 21                  ***(b) Review all related documents presented by the office;***
- 22                  ~~(c) [to determine eligibility within twenty (20) days of receipt and forward each~~
- 23                  ~~eligible application to the cabinet for an economic analysis of the project.~~
- 24                  ~~Notwithstanding KRS 154.61-020, if the analysis supports the project, the~~
- 25                  ~~application and all related documents shall be submitted back to the council to~~
- 26                  ~~Make a[the] final decision at a meeting held at the call of the chair regarding~~
- 27                  whether to authorize a tax incentive agreement ***if the cabinet's economic***

1           *analysis supports the project.* The cabinet shall be responsible for negotiating,  
2           preparing, and executing tax incentive agreements under this section;

3           ~~(d)(b)~~ Recommend policies and standards for the Kentucky Film Office ~~created in KRS 154.12-280~~;

5           ~~(e)(e)~~ Develop comprehensive film industry strategies in partnership with the  
6           Cabinet for Economic Development, the Tourism, Arts and Heritage Cabinet,  
7           and the Education and Labor Cabinet;

8           ~~(f)(d)~~ Partner with local and regional film offices, production studios, and  
9           relevant workforce training programs in Kentucky; and

10          ~~(g)(e)~~ Conduct a nationwide search for the executive director of the Kentucky  
11          Film Office and make decisions regarding hiring and compensation. The  
12          salary of the executive director of the ~~[Kentucky Film]~~ office shall not exceed  
13          two hundred twenty-five thousand dollars (\$225,000) and shall be exempt  
14          from KRS 64.640.

15         (3) (a) The council shall consist of the following seven (7) voting members:

16                 1. The secretary of the Cabinet for Economic Development or his or her  
17                 designee;

18                 2. The secretary of the Tourism, Arts and Heritage Cabinet or his or her  
19                 designee;

20                 3. The secretary of the Education and Labor Cabinet or his or her designee;  
21                 and

22                 4. Four (4) members who shall be appointed by the Governor as follows:

23                         a. Two (2) representatives from Kentucky film production  
24                         companies;

25                         b. One (1) representative from a film profession, including but not  
26                         limited to producers, actors, production accountants with film  
27                         industry experience, or film financiers; and

1           c. One (1) representative who is the head of a local or regional film  
2           commission.

3           (b) All members appointed by the Governor under ~~paragraph (a)4. of~~ this  
4           subsection shall have knowledge of or experience in the Kentucky film  
5           industry. After the expiration of their initial terms, the appointed members  
6           shall serve a term of four (4) years and until a successor is appointed and  
7           qualified~~[in accordance with paragraph (a)4. of this subsection]~~. Any vacancy  
8           that occurs shall be filled for the unexpired term in the same manner as the  
9           original appointment. All members appointed by the Governor shall be  
10          subject to confirmation by the Senate as provided in KRS 11.160.

11          (c) A majority of the members shall appoint the chair from among the members  
12          of the council.

13          (d) Members shall serve without compensation but shall be reimbursed for  
14          necessary travel expenses.

15          (e) The council shall meet at the call of the chair, **but not less than quarterly.**

16          (f) A quorum shall be a majority of the membership of the council.

17          **(g) A member of the council shall not be subject to any personal liability or**  
18          **accountability by reason of the execution of any obligation duly authorized**  
19          **by the council.**

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

21          As used in this subchapter:

22          (1) "Above-the-line production crew" means employees involved with the production  
23          of a motion picture or entertainment production whose salaries are negotiated prior  
24          to commencement of production, such as actors, directors, producers, and writers;

25          (2) "Animated production" means a nationally distributed feature-length film created  
26          with the rapid display of a sequence of images using 2-D or 3-D graphics of  
27          artwork or model positions in order to create an illusion of movement;

- 1 (3) "Approved company" means an eligible company approved for incentives provided  
2 under KRS 141.383 and 154.61-020;
- 3 (4) "Below-the-line production crew" means employees involved with the production  
4 of a motion picture or entertainment production except above-the-line production  
5 crew. "Below-the-line production crew" includes but is not limited to:
- 6 (a) Casting assistants;  
7 (b) Costume design;  
8 (c) Extras;  
9 (d) Gaffers;  
10 (e) Grips;  
11 (f) Location managers;  
12 (g) Production assistants;  
13 (h) Set construction staff; and  
14 (i) Set design staff;
- 15 (5) "Cabinet" means the Cabinet for Economic Development;
- 16 (6) **"Certified audit" means an audit that:**
- 17 **(a) Contains all production-related expenditures;**
- 18 **(b) Is completed within one hundred eighty (180) days of the completion of**  
19 **production in Kentucky; and**
- 20 **(c) Is conducted in accordance with the office's standards established by**  
21 **administrative regulations promulgated in accordance with KRS Chapter**  
22 **13A, including the adoption of expenditure sampling procedures;**
- 23 **(7)** "Commonwealth" means the Commonwealth of Kentucky;
- 24 **(8)**~~(7)~~ "Compensation" means:
- 25 **(a)** Compensation included in adjusted gross income as **calculated in KRS**  
26 **141.019**~~[defined in KRS 141.010]~~; **and**
- 27 **(b) The following:**

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

6    ~~(9)~~~~(8)~~ "Continuous film production" means a motion picture or entertainment  
7    production that:

- 8            (a) 1. Has a projected ~~budget of a~~ minimum *spend* of ten million dollars  
9            (\$10,000,000) ~~per calendar year~~ for qualifying expenditures and  
10            qualifying payroll expenditures, which may be a prorated amount  
11            based on the total budget of the production ~~allocated to all qualifying~~  
12            ~~motion picture or entertainment productions to be filmed or produced in~~  
13            ~~Kentucky, with a minimum of one million five hundred thousand dollars~~  
14            ~~(\$1,500,000) per production in Kentucky]; and~~
- 15            2. Has a minimum of fifty percent (50%) of the funds available and the  
16            ability to raise the remaining funds necessary to complete the filming  
17            and production, which may be verified by:
  - 18            a. Bank statements or other financial documents; or
  - 19            b. A fundraising plan at the request of the office~~council~~;
- 20            (b) Demonstrates a distribution contract for each motion or entertainment  
21            production; and
- 22            (c) ~~Films and produces a minimum of twelve (12) or more days per production~~  
23            ~~within the Commonwealth; and~~
- 24            ~~(d)~~ Maintains:
  - 25            1. An apprenticeship program or on-the-job training program as defined in  
26            KRS 343.010; or
  - 27            2. Partners with a film studies program with an accredited institution of

- 1 postsecondary education located in the Commonwealth;
- 2 ~~(10)~~~~(9)~~ "Council" means the Kentucky Film Leadership Council created in KRS  
3 154.12-282;
- 4 ~~(11)~~~~(10)~~ "Documentary" means a production based upon factual information and not  
5 subjective interjections;
- 6 ~~(12)~~~~(11)~~ "Eligible company" means any person that intends to film or produce a  
7 motion picture or entertainment production in the Commonwealth;
- 8 ~~(13)~~~~(12)~~ "Employee" has the same meaning as in KRS 141.010, and, for purposes of  
9 this subchapter, also may include the employees or independent contractors of an  
10 approved company or the employees of a loan-out entity engaged by an approved  
11 company if they meet the requirements of KRS 141.310;
- 12 ~~(14)~~~~(13)~~ **"Employer-paid payroll taxes" means the tax paid by an approved company**  
13 **as an employer under the Federal Insurance Contributions Act, 26 U.S.C. sec.**  
14 **3101 et seq., and the approved company's share of contributions required under**  
15 **KRS Chapter 341;**
- 16 ~~(15)~~ "Enhanced incentive county" has the same meaning as in KRS 154.32-010;
- 17 ~~(16)~~~~(14)~~ "Feature-length film" means a live-action or animated production that is:  
18 (a) More than thirty (30) minutes in length; and  
19 (b) Produced for distribution in theaters or via digital format, including  
20 **broadcast, cable, and streaming**~~[but not limited to DVD, Internet, or mobile~~  
21 ~~electronic devices];~~
- 22 ~~(17)~~~~(15)~~ "Industrial film" means a business-to-business film that may be viewed by the  
23 public, including but not limited to videos used for training or for viewing at a trade  
24 show;
- 25 ~~(18)~~~~(16)~~ "Kentucky-based company" has the same meaning as in KRS 164.6011;
- 26 ~~(19)~~~~(17)~~ "Loan-out entity" means a corporation, partnership, limited liability company,  
27 or other entity through which an artist or other person is loaned out to perform

1 services for the approved company. A loan-out entity shall be registered and in  
 2 good standing with the Kentucky Secretary of State. Notwithstanding the business  
 3 organization, the loan-out entity and all employees of and other persons performing  
 4 services for the loan-out entity shall be subject to all applicable provisions of the  
 5 Kentucky personal income tax and any applicable payroll or other tax provisions;

6 ~~(20)~~~~[(18)]~~ (a) "Motion picture or entertainment production" means:

- 7 1. The following if filmed in whole or in part, or produced in whole or in  
 8 part, in the Commonwealth:
  - 9 a. A feature-length film;
  - 10 b. A television program;
  - 11 c. An industrial film;~~[-or]~~
  - 12 d. A documentary;~~[-or]~~
  - 13 **e. A video game;**
  - 14 **f. A music video; or**
  - 15 **g. A commercial; or**
- 16 2. A national touring production of a Broadway show produced in  
 17 Kentucky.

18 (b) "Motion picture or entertainment production" does not include the filming or  
 19 production of obscene material or television coverage of news or athletic  
 20 events;

21 ~~(21)~~~~[(19)]~~ "Obscene" has the same meaning as in KRS 531.010;

22 ~~(22)~~~~[(20)]~~ **"Office" means the Kentucky Film Office created in Section 2 of this Act;**

23 ~~(23)~~ **"Payroll service fees" means administrative fees paid by an approved company to**  
 24 **a third-party payroll service company providing Kentucky-based payroll**  
 25 **processing for above-the-line and below-the-line production crew members;**

26 ~~(24)~~ "Person" has the same meaning as in KRS 141.010;

27 ~~(25)~~~~[(21)]~~ (a) "Qualifying expenditure" means expenditures made in the

1 Commonwealth for the following if directly used in or for a motion picture or  
 2 entertainment production:

- 3 1. The production script and synopsis;
- 4 2. Set construction and operations, wardrobe, accessories, and related  
 5 services;
- 6 3. Lease or rental of real property in Kentucky as a set location;
- 7 4. Photography, sound synchronization, lighting, and related services;
- 8 5. Editing and related services;
- 9 6. Rental of facilities and equipment;
- 10 7. Vehicle leases;
- 11 8. Food; and
- 12 9. Accommodations.

13 (b) "Qualifying expenditure" does not include:

- 14 1. Kentucky sales and use tax paid by the approved company on the  
 15 qualifying expenditure; or
- 16 2. Distribution expenses;

17 ~~(26)~~~~(22)~~ "Qualifying payroll expenditure" means compensation paid to above-the-line  
 18 crew and below-the line crew while working on a motion picture or entertainment  
 19 production in the Commonwealth if the compensation is for services performed in  
 20 the Commonwealth;

21 ~~(27)~~~~(23)~~ "Qualifying per diem"

22 (a) Means:

- 23 1. Meal and incidental allowance per diems, including those not taken  
 24 on set, in the amounts established by the United States General  
 25 Services Administration, if incurred in the Commonwealth; and
- 26 2. Hotel and other overnight living accommodations per diems, in the  
 27 amounts established by the United States General Services

1 *Administration, if incurred in the Commonwealth; and*

2 *(b) Includes any amounts that:*

3 *1. Exceed the limits in paragraph (a)1. and 2. of this subsection; and*

4 *2. Are included in taxable compensation and subject to the withholding*  
 5 *required under KRS Chapter 341;*

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

7 *(29)*~~*(24)*~~ "Secretary" means the secretary of the Cabinet for Economic Development;

8 *(30)*~~*(25)*~~ "Tax incentive agreement" means the agreement entered into pursuant to KRS  
 9 154.61-030 between the council and the approved company; ~~*and*~~

10 *(31)*~~*(26)*~~ "Television program" means any live-action or animated production or  
 11 documentary, including but not limited to:

12 (a) An episodic series;

13 (b) A miniseries;

14 (c) A television movie; or

15 (d) A television pilot;

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

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

23 *(33) "Workers' compensation insurance premiums" means premiums paid by an*  
 24 *approved company for the provision of workers' compensation covering above-*  
 25 *the-line or below-the-line production crew members.*

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

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

- 1 (a) The film and entertainment industry to choose locations in the  
 2 Commonwealth for the filming and production of motion picture or  
 3 entertainment productions;
- 4 (b) The development of a film and entertainment industry in Kentucky;
- 5 (c) Increased employment opportunities for the citizens of the Commonwealth  
 6 within the film and entertainment industry; and
- 7 (d) The development of a production and postproduction infrastructure in the  
 8 Commonwealth for film production and touring Broadway show production  
 9 facilities containing state-of-the-art technologies.
- 10 (2) The council, together with the Department of Revenue, shall administer the tax  
 11 credit established by KRS 141.383, this section, and KRS 154.61-030.
- 12 (3) To qualify for the tax incentive provided in subsection (5) of this section, the  
 13 following requirements shall be met:
- 14 (a) For an approved company that is also a Kentucky-based company that:
- 15 1. Films or produces a feature-length film, television program, ~~for~~  
 16 ~~industrial film,~~ **video game, music video, or commercial** in whole or in  
 17 part in the Commonwealth, the minimum combined total of qualifying  
 18 expenditures and qualifying payroll expenditures shall be **two**  
 19 **hundred**~~[one hundred twenty five]~~ thousand dollars  
 20 **(\$200,000)**~~[((\$125,000)];~~
- 21 2. Produces a national touring production of a Broadway show in whole or  
 22 in part in the Commonwealth, the minimum combined total of  
 23 qualifying expenditures and qualifying payroll expenditures shall be  
 24 twenty thousand dollars (\$20,000); or
- 25 3. Films or produces a documentary in whole or in part in the  
 26 Commonwealth, the minimum combined total of qualifying  
 27 expenditures and qualifying payroll expenditures shall be ten thousand

1                   dollars (\$10,000); and

2           (b) For an approved company that is not a Kentucky-based company that:

- 3           1. Films or produces a feature-length film, television program, ~~for~~  
4           ~~industrial film,~~ video game, music video, or commercial in whole or in  
5           part in the Commonwealth, the minimum combined total of qualifying  
6           expenditures and qualifying payroll expenditures shall be four  
7           hundred~~[two hundred fifty]~~ thousand dollars (\$400,000)~~[(250,000)]~~; or  
8           2. Films or produces a documentary in whole or in part in the  
9           Commonwealth or that produces a national touring production of a  
10          Broadway show, the minimum combined total of qualifying  
11          expenditures and qualifying payroll expenditures shall be twenty  
12          thousand dollars (\$20,000).

13   (4) (a) Beginning on January 1, 2022, the total tax incentive approved under KRS  
14          141.383 and this subchapter shall be limited to seventy-five million dollars  
15          (\$75,000,000) for calendar year 2022 and each calendar year thereafter.

16   (b) Beginning with calendar year 2024:

- 17          1. Twenty-five million dollars (\$25,000,000) shall be allocated for all  
18          approved companies with a continuous film production; and  
19          2. On the first day of July of each calendar year, any unused balance of the  
20          amount allocated under subparagraph 1. of this paragraph for continuous  
21          film productions shall be made available for all approved companies  
22          with motion picture or entertainment productions.

23   (c) Beginning with calendar year 2026, any unallocated balance of the amount  
24          allocated in paragraph (a) of this subsection for the previous calendar year  
25          shall carry forward into the subsequent calendar year to be made available  
26          for approved companies with high-impact motion pictures, continuous film  
27          productions, or entertainment productions. The council shall promulgate

1 *administrative regulations in accordance with KRS Chapter 13A to establish*  
 2 *the criteria for a high-impact motion picture or entertainment production.*

3 (5) (a) To qualify for the tax incentive available under KRS 141.383 and this  
 4 subchapter, all applicants shall:

5 1. Begin filming or production in Kentucky within *one hundred eighty*  
 6 *days (180)*~~[six (6) months]~~ of approval by the council;~~[and]~~

7 2. Complete filming or production in Kentucky within two (2) years of the  
 8 filming or production start date; *and*

9 *3. Submit a certified audit to the office.*

10 (b) The tax credit shall be against the Kentucky income tax imposed under KRS  
 11 141.020 or 141.040, and the limited liability entity tax imposed under KRS  
 12 141.0401, and shall be refundable as provided in KRS 141.383.

13 (c) 1. For a *continuous film production filmed or produced in any Kentucky*  
 14 *county; or a feature-length film, television program, industrial film,*  
 15 *documentary, video game, music video, or national touring production*  
 16 *of a Broadway show*~~[motion picture or entertainment production or~~  
 17 ~~continuous film production]~~ filmed or produced in its entirety in an  
 18 enhanced incentive county;~~[,]~~

19 the amount of the incentive shall be equal to thirty-five percent (35%) of  
 20 the approved company's:

21 a. Qualifying expenditures;

22 b. Qualifying payroll expenditures paid to resident and nonresident  
 23 below-the-line production crew; and

24 c. Qualifying payroll expenditures paid to resident and nonresident  
 25 above-the-line production crew not to exceed one million dollars  
 26 (\$1,000,000) in payroll expenditures per employee.

27 2. a. To the extent the approved company films or produces a motion

1 picture or entertainment production or continuous film production  
 2 in part in an enhanced incentive county and in part a Kentucky  
 3 county that is not an enhanced incentive county, the approved  
 4 company shall be eligible to receive the incentives provided in this  
 5 paragraph for those expenditures incurred in the enhanced  
 6 incentive county and all other expenditures shall be subject to the  
 7 incentives provided in paragraph (d) of this subsection.

8 b. The approved company shall track the requisite expenditures by  
 9 county. If the approved company can demonstrate to the  
 10 satisfaction of the cabinet that it is not practical to use a separate  
 11 accounting method to determine the expenditures by county, the  
 12 approved company shall determine the correct expenditures by  
 13 county using an alternative method approved by the cabinet.

14 (d) For a commercial filmed or produced in any Kentucky county; or a feature-  
 15 length film, television program, industrial film, documentary, video game,  
 16 music video or national touring production of a Broadway show ~~motion~~  
 17 ~~picture or entertainment production or continuous film production~~ filmed or  
 18 produced in whole or in part in any Kentucky county other than in an  
 19 enhanced incentive county; ~~and~~

20 the amount of the incentive shall be equal to:

- 21 1. Thirty percent (30%) of the approved company's:
  - 22 a. Qualifying expenditures;
  - 23 b. Qualifying payroll expenditures paid to below-the-line production
  - 24 crew that are not residents; and
  - 25 c. Qualifying payroll expenditures paid to above-the-line production
  - 26 crew that are not residents, not to exceed one million dollars
  - 27 (\$1,000,000) in payroll expenditures per employee; and

- 1           2.   Thirty-five percent (35%) of the approved company's:
- 2           a.   Qualifying payroll expenditures paid to resident below-the-line
- 3           production crew; and
- 4           b.   Qualifying payroll expenditures paid to resident above-the-line
- 5           production crew not to exceed one million dollars (\$1,000,000) in
- 6           payroll expenditures per employee.

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

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

- 1 (1) Any other information the office~~[council]~~ may require.
- 2 (2) The office~~[council]~~ shall notify the eligible company within thirty (30) days after  
3 receiving the application that:
- 4 (a) The application is complete; or
- 5 (b) Additional information is required~~[of its status].~~
- 6 (3) Upon receipt of the application and any additional information submitted by the  
7 office and cabinet, the council shall consider all submitted information and, if  
8 appropriate, authorize the execution of a tax incentive agreement between the  
9 council and the approved company, if the amount of anticipated tax credit from the  
10 application would not make the total tax credit approved for the calendar year  
11 exceed the annual tax credit cap under KRS 154.61-020(4).
- 12 (4) The tax incentive agreement shall include the following provisions:
- 13 (a) The duties and responsibilities of the parties;
- 14 (b) A detailed description of the motion picture or entertainment production for  
15 which incentives are requested;
- 16 (c) The anticipated qualifying expenditures and qualifying payroll expenditures  
17 for resident and nonresident above-the-line and below-the-line crews by  
18 county;
- 19 (d) The minimum combined total of qualifying expenditures and qualifying  
20 payroll expenditures necessary for the approved company to qualify for  
21 incentives;
- 22 (e) That the approved company shall:
- 23 1. Begin filming or production in Kentucky within one hundred eighty  
24 (180) days~~[six (6) months]~~ of approval by the council; and
- 25 2. Complete production in Kentucky within two (2) years of their  
26 production start date;
- 27 (f) That the motion picture or entertainment production shall not include obscene

1 materials and shall not negatively impact the economy or the tourism industry  
2 of the Commonwealth;

3 (g) That the execution of the agreement is not a guarantee of tax incentives and  
4 that actual receipt of the incentives shall be contingent upon the approved  
5 company meeting the requirements established by the tax incentive  
6 agreement;

7 (h) That the approved company shall submit to the office and cabinet~~[council]~~  
8 within one hundred eighty (180) days of the completion of production in  
9 Kentucky for the motion picture or entertainment production;

10 1. A detailed cost report of the qualifying expenditures and~~[,]~~ qualifying  
11 payroll expenditures;~~[,]~~

12 2. Certified audit; and

13 3. The latest version of the production script at the time of cost report  
14 submission;

15 (i) That the approved company shall provide the office and cabinet~~[council]~~ with  
16 documentation that the approved company or the associated loan-out entity  
17 has withheld income tax as required by KRS 141.310 or the individual income  
18 tax rate imposed by KRS 141.020 on all qualified payroll expenditures for  
19 which an incentive under this subchapter is sought;

20 (j) That, if the cabinet~~[council]~~ determines that the approved company has failed  
21 to comply with any of its obligations under the tax incentive agreement:

22 1. The council may deny the incentives available to the approved  
23 company;

24 2. Both the council and the Department of Revenue may pursue any  
25 remedy provided under the tax incentive agreement;

26 3. The council may terminate the tax incentive agreement; and

27 4. Both the council and the Department of Revenue may pursue any other

- 1 remedy at law to which it may be entitled;
- 2 (k) That the cabinet~~[council]~~ and the Department of Revenue shall monitor the
- 3 tax incentive agreement;
- 4 (l) That the approved company shall provide to the cabinet~~[council]~~ and the
- 5 Department of Revenue all information necessary to monitor the tax incentive
- 6 agreement;
- 7 (m) That the council may share information with the Department of Revenue and
- 8 the Interim Joint Committee on Appropriations and Revenue or any other
- 9 entity the cabinet~~[council]~~ determines is necessary for the purposes of
- 10 monitoring and enforcing the terms of the tax incentive agreement;
- 11 (n) That the motion picture or entertainment production shall contain an
- 12 acknowledgment that the motion picture or entertainment production was
- 13 produced or filmed in the Commonwealth of Kentucky;
- 14 (o) That the approved company shall include screen credits in its final production,
- 15 indicating the approved company received tax incentives from the
- 16 Commonwealth of Kentucky;
- 17 (p) Terms of default;
- 18 (q) The method and procedures by which the approved company shall request and
- 19 receive the incentive provided under KRS 141.383 and 154.61-020;
- 20 (r) That the approved company may be required to pay an administrative fee as
- 21 authorized under subsection (5) of this section;~~[and]~~
- 22 (s) **The approved company may be required to pay a fee of two thousand dollars**
- 23 **(\$2,000) for expenses incurred as a result of preparation of the tax incentive**
- 24 **agreement; and**
- 25 **(t)** Any other provisions deemed necessary or appropriate by the parties to the tax
- 26 incentive agreement.
- 27 (5) The council may require the approved company to pay an administrative fee, the

1 amount of which shall be established by administrative regulation promulgated in  
 2 accordance with KRS Chapter 13A. The administrative fee shall not exceed one-  
 3 half of one percent (0.5%) of the estimated amount of tax incentive sought or five  
 4 hundred dollars (\$500), whichever is greater.

5 (6) Prior to commencement of activity as provided in a tax incentive agreement, the tax  
 6 incentive agreement shall be approved by the council. Following approval by the  
 7 council, the tax incentive agreement shall be submitted to the Government Contract  
 8 Review Committee established by KRS 45A.705 for review, as provided in KRS  
 9 45A.695, 45A.705, and 45A.725.

10 (7) The council shall notify the Department of Revenue following approval of an  
 11 approved company. The notification shall include the name of the approved  
 12 company, the name of the motion picture or entertainment production, the estimated  
 13 amount of qualifying expenditures, the estimated date on which the approved  
 14 company will complete filming or production in Kentucky, and any other  
 15 information required by the department.

16 (8) Within one hundred eighty days (180) days of completion of production in  
 17 Kentucky for the motion picture or entertainment production, the approved  
 18 company shall submit to the council:

19 (a) A detailed cost report of:

20 1.~~[(a)]~~ Qualifying expenditures;

21 2.~~[(b)]~~ Qualifying payroll expenditures for resident and nonresident  
 22 above-the-line crew by county; and

23 3.~~[(c)]~~ Qualifying payroll expenditures for resident and nonresident  
 24 below-the-line crew by county; ~~[and]~~

25 (b)~~[(d)]~~ The latest version of the production script available at the time of cost  
 26 report submission; and

27 (c) *The certified audit.*

- 1 (9) (a) Cabinet staff shall review all information submitted for accuracy and shall  
2 confirm that all relevant provisions of the tax incentive agreement have been  
3 met.
- 4 (b) Upon confirmation that all requirements of the tax incentive agreement have  
5 been met, cabinet staff shall review the latest version of the production script  
6 available at the time of cost report submission, and if they determine that the  
7 motion picture or entertainment production does not:
- 8 1. Contain visual or implied scenes that are obscene; or
  - 9 2. Negatively impact the economy or the tourism industry of the  
10 Commonwealth;
- 11 the council shall forward the detailed cost report to the Department of  
12 Revenue for calculation of the refundable credit.
- 13 (10) The Department of Revenue shall:
- 14 (a) Verify that the approved company withheld the proper amount of income tax  
15 on qualifying payroll expenditures; and
  - 16 (b) Notify the council of the total amount of refundable credit available on  
17 qualifying expenditures and qualifying payroll expenditures.