

# 1 AN ACT

2 relating to the designation of qualified media production locations  
3 in media production development zones and to exemptions from the  
4 sales and use tax for items used for media production facilities in  
5 qualified media production locations.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Subtitle F, Title 4, Government Code, is amended  
8 by adding Chapter 485A to read as follows:

## CHAPTER 485A. MEDIA PRODUCTION DEVELOPMENT ZONES

## SUBCHAPTER A. GENERAL PROVISIONS

11                   Sec. 485A.001. SHORT TITLE. This chapter may be cited as  
12 the Media Production Development Zone Act.

13 Sec. 485A.002. DEFINITIONS. In this chapter:

17 (A) a soundstage and scoring stage;

18 (B) a production office;

19 (C) an editing facility, an animation production  
20 facility, and a video game production facility;

(2) "Media production development zone" means an area

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1 recognized by a nominating body and approved by the office as a  
2 media production development zone under this chapter.

3                   (3) "Moving image project" means a visual and sound  
4 production, including a film, television program, national or  
5 multistate commercial, or digital interactive media production.  
6 The term does not include a production that is obscene, as defined  
7 by Section 43.21, Penal Code.

8                   (4) "Nominating body" means the governing body of a  
9 municipality or county, or a combination of the governing bodies of  
10 municipalities or counties, that:

11                   (A) recognizes a qualified area as a media  
12 production development zone; and

13                   (B) nominees and applies for designation of a  
14 location in a media production development zone as a qualified  
15 media production location.

16                   (5) "Office" means the Music, Film, Television, and  
17 Multimedia Office within the office of the governor.

18                   (6) "Qualified media production location" means a  
19 location in a media production development zone that has been  
20 designated by the office as a qualified media production location  
21 in accordance with this chapter.

22                   (7) "Qualified person" means a person certified as a  
23 qualified person under Section 485A.201.

24                   Sec. 485A.003. JURISDICTION OF MUNICIPALITY. For the  
25 purposes of this chapter, territory in the extraterritorial  
26 jurisdiction of a municipality is considered to be in the  
27 jurisdiction of the municipality.

1        [Sections 485A.004-485A.050 reserved for expansion]

2        SUBCHAPTER B. OFFICE POWERS AND DUTIES IN GENERAL

3        Sec. 485A.051. GENERAL POWERS AND DUTIES. (a) Except as  
4        provided by Subsection (b), the office shall administer and monitor  
5        the implementation of this chapter.

6        (b) The office and the comptroller's office shall jointly  
7        establish criteria and procedures for:

8                (1) approving a qualified area recognized as a media  
9        production development zone by a nominating body;

10               (2) designating a qualified location in a media  
11        production development zone as a qualified media production  
12        location; and

13               (3) certifying a person as a qualified person under  
14        Section 485A.201.

15        Sec. 485A.052. RULEMAKING AUTHORITY. The office shall  
16        adopt rules necessary to implement this chapter.

17        Sec. 485A.053. ANNUAL REPORT. On or before December 15 of  
18        each year, the office shall submit to the governor, the  
19        legislature, and the Legislative Budget Board a report that:

20               (1) evaluates the effectiveness of the media  
21        production development zone program; and

22               (2) describes the use of state and local incentives  
23        under this chapter and their effect on revenue.

24        Sec. 485A.054. ASSISTANCE. The office shall provide to  
25        persons desiring to construct, expand, maintain, improve, or  
26        renovate a media production facility in a qualified media  
27        production location information and appropriate assistance

1 relating to the required legal authorization, including a permit,  
2 certificate, approval, and registration, necessary in this state to  
3 accomplish that objective.

4 [Sections 485A.055-485A.100 reserved for expansion]

5 SUBCHAPTER C. APPROVAL OF MEDIA PRODUCTION DEVELOPMENT ZONE AND  
6 DESIGNATION OF QUALIFIED MEDIA PRODUCTION LOCATIONS

7 Sec. 485A.101. CRITERIA FOR MEDIA PRODUCTION DEVELOPMENT  
8 ZONE RECOGNITION. To be approved as a media production development  
9 zone, an area:

10 (1) must be in a metropolitan statistical area, the  
11 principal municipality of which:  
12 (A) has a population of more than 250,000; and  
13 (B) has the adequate workforce, infrastructure,  
14 facilities, or resources to support the production and completion  
15 of moving image projects;

16 (2) must be recognized as a media production  
17 development zone by ordinance or order, as appropriate, of a  
18 municipality or the commissioners court of a county; and  
19 (3) will contain a qualified media production location  
20 within its geographical boundaries that meets the criteria under  
21 Section 485A.102.

22 Sec. 485A.102. CRITERIA FOR QUALIFIED MEDIA PRODUCTION  
23 LOCATION DESIGNATION. To be designated a qualified media  
24 production location, a location must be land or other real property  
25 that is in a media production development zone and will:

26 (1) be used exclusively to build or construct one or  
27 more media production facilities;

1                   (2) if the real property is a building or other  
2 facility, be renovated solely for the purpose of being converted  
3 into one or more media production facilities; or

4                   (3) if the real property consists solely of one or more  
5 media production facilities, be improved or renovated for that  
6 purpose or will be expanded into one or more additional media  
7 production facilities.

8                   Sec. 485A.103. MAXIMUM NUMBER OF ZONES AND LOCATIONS  
9 THROUGHOUT STATE.    (a) There may not be more than 10 media  
10 production development zone designations under this chapter at any  
11 one time.

12                  (b) There may not be more than five media production  
13 development zones under this chapter in a region at any one time.

14                  (c) Each media production development zone may not contain  
15 more than three media production locations at any one time.

16                  (d) For purposes of Subsection (b), the office shall divide  
17 the state into regions consisting of geographical boundaries  
18 prescribed by office rule.

19                  Sec. 485A.104. NOMINATION OF QUALIFIED MEDIA PRODUCTION  
20 LOCATION.    (a) The governing body of a municipality or county,  
21 individually or in combination with other municipalities or  
22 counties, by ordinance or order, as appropriate, may nominate as a  
23 qualified media production location a location within its  
24 jurisdiction that meets the criteria under Section 485A.102.

25                  (b) The governing body of a county may not nominate  
26 territory in a municipality, including extraterritorial  
27 jurisdiction of a municipality, to be included in a proposed

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1 qualified media production location unless the governing body of  
2 the municipality also nominates the territory and together with the  
3 county files a joint application under Section 485A.106.

4 Sec. 485A.105. NOMINATING ORDINANCE OR ORDER. An ordinance  
5 or order nominating a location as a qualified media production  
6 location must:

7           (1) describe precisely both the media production  
8 development zone in which the location is to be included and the  
9 proposed location by a legal description or reference to municipal  
10 or county boundaries;

11           (2) state a finding that the location meets the  
12 requirements of this chapter and that the media production  
13 development zone in which the location is to be included has been  
14 recognized as a zone by ordinance or order, as appropriate, by the  
15 nominating body;

16           (3) summarize briefly the local financial incentives,  
17 including tax incentives, that, at the election of the nominating  
18 body, will apply to a qualified person;

19           (4) contain a brief description of the project or  
20 activity to be conducted by a qualified person at the location;

21           (5) nominate the location as a qualified media  
22 production location; and

23           (6) contain an economic impact analysis from an  
24 economic expert.

25           Sec. 485A.106. APPLICATION FOR DESIGNATION. (a) For a  
26 location in a media production development zone to be designated as  
27 a qualified media production location, the nominating body, after

1 nominating the location as a qualified media production location,  
2 must send to the office a written application for designation of the  
3 location in the zone as a qualified media production location.

4       **(b) The application must include:**

5           **(1) a certified copy of the ordinance or order, as**  
6 appropriate, nominating the location as a media production  
7 location;

8           **(2) a certified copy of the ordinance or order, as**  
9 appropriate, recognizing the zone in which the location is to be  
10 included as a media production development zone;

11          **(3) appropriate supporting documents demonstrating**  
12 that the location qualifies for designation as a qualified media  
13 production location;

14          **(4) an estimate of the economic impact of the**  
15 designation of the location as a qualified media production  
16 location on the revenues of the governmental entity or entities  
17 nominating the location as a qualified media production location,  
18 considering the financial incentives and benefits contemplated;

19          **(5) an economic impact analysis of the proposed**  
20 project or activities to be conducted at the proposed qualified  
21 media production location, which must include:

22           **(A) an estimate of the amount of revenue to be**  
23 generated to the state by the project or activity;

24           **(B) an estimate of any secondary economic**  
25 benefits to be generated by the project or activity;

26           **(C) an estimate of the amount of state taxes to be**  
27 exempted, as provided by Section 151.3415, Tax Code; and

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1 (D) any other information required by the  
2 comptroller for purposes of making the certification required by  
3 Section 485A.109(b); and

4 (6) any additional information the office requires.

5                    (c) Information required by Subsection (b) is for  
6 evaluation purposes only.

7                   (d) The economic impact analysis required by Subsection  
8 (b)(5) must also be submitted to the comptroller.

9                   Sec. 485A.107. ADVISORY COMMITTEE.           (a) The media  
10 production advisory committee is composed of the following members:

17        (b) In making appointments to the advisory committee under  
18 Subsection (a)(3), the comptroller shall provide for a balanced  
19 representation of the different geographic regions of this state.

20 Each of the following types of companies or organizations must be  
21 represented by at least one member serving on the advisory  
22 committee

22 (1) animation production companies;

24 (2) film and television production companies;

(3) labor or workforce organizations;

#### 26 (4) equipment vendors:

27 (5) the video gaming industry; and

(6) commercial production companies.

2                   (c) The director of the Texas Film Commission division of  
3 the office of the governor serves as the presiding officer of the  
4 advisory committee. The advisory committee shall meet at the call  
5 of the presiding officer.

6                   (d) The advisory committee, through review of applications  
7 submitted under Section 485A.108, shall make recommendations to the  
8 office for designation of qualified media production locations  
9 under this subchapter. The office may provide administrative  
10 support to the advisory committee.

11                   (e) Section 2110.008 does not apply to the advisory  
12 committee.

13                   Sec. 485A.108. REVIEW OF APPLICATION. (a) On receipt of  
14                   an application for the designation of a qualified media production  
15                   location, the office shall review the application to determine  
16                   whether the nominated location qualifies for designation as a  
17                   qualified media production location under this chapter.

18           (b) The office shall consider recommendations submitted by  
19 the media production advisory committee with respect to  
20 applications received by the office.

21                   Sec. 485A.109. DESIGNATION. (a) If the office determines  
22                   that a nominated location for which a designation application has  
23                   been received satisfies the criteria under Section 485A.102 and on  
24                   recommendation of the media production advisory committee, the  
25                   office may designate the nominated location as a qualified media  
26                   production location unless the office determines that the  
27                   designation request should be denied for the reasons specified by

1 Section 485A.110.

2        (b) A designation of a qualified media production location  
3 may not be made under this section until the comptroller, based on  
4 an evaluation of the economic impact analysis submitted under  
5 Section 485A.106(b)(5), certifies that the project or activity to  
6 be conducted at the designated location will have a positive impact  
7 on state revenue.

8        (c) On designation of the first qualified media production  
9 location in a media production development zone recognized by the  
10 nominating body for that purpose, the office shall simultaneously  
11 approve the media production development zone.

12        Sec. 485A.110. DENIAL OF APPLICATION; NOTICE. (a) The  
13 office shall deny an application for the designation of a qualified  
14 media production location if:

15            (1) the office determines that the nominated  
16 location does not satisfy the criteria under Section 485A.102;  
17            (2) the office determines that the number of media  
18 production location designations or number of approved media  
19 production development zones at the time of the application are at  
20 the maximum limit prescribed by Section 485A.103; or  
21            (3) the comptroller has not certified that the  
22 proposed project or activity to be conducted at the location will  
23 have a positive impact on state revenue.

24        (b) The office shall inform the nominating body of the  
25 specific reasons for denial of an application under this section.

26        Sec. 485A.111. PERIOD OF APPROVAL OR DESIGNATION. (a) An  
27 area that qualifies under this subchapter may be approved by the

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1 office as a media production development zone for a maximum of five  
2 years after the date the last qualified media production location  
3 was designated within the zone's boundaries.

4       (b) A location may be designated as a qualified media  
5 production location, and may be eligible for the sales and use tax  
6 exemption as provided by Section 151.3415, Tax Code, for a maximum  
7 of two years.

8       (c) Except as provided by Section 485A.112, a media  
9 production development zone approval and qualified media  
10 production location designation remains in effect until September 1  
11 of the final year of the approval or designation, as appropriate.

12       Sec. 485A.112. REMOVAL OF APPROVAL OR DESIGNATION.  
13 (a) The office may remove the approval of an area recognized as a  
14 media production development zone if the area no longer meets the  
15 criteria for that recognition under this chapter or by office rule  
16 adopted under this chapter.

17       (b) The office may remove the designation of a location as a  
18 qualified media production location if the location no longer meets  
19 the criteria for that designation under this chapter or by office  
20 rule adopted under this chapter.

21       (c) The removal of a designation or approval does not affect  
22 the validity of a tax incentive granted or accrued before the  
23 removal.

24       [Sections 485A.113-485A.150 reserved for expansion]

25       SUBCHAPTER D. ADMINISTRATION OF MEDIA PRODUCTION LOCATION

26       Sec. 485A.151. ANNUAL REPORT. (a) For purposes of this  
27 section, the governing body of a qualified media production

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1 location is the governing body of the municipality or county, or the  
2 governing bodies of the combination of municipalities or counties,  
3 that applied to have the location designated as a qualified media  
4 production location.

5       (b) Not later than October 1 of each year, the governing  
6 body of a qualified media production location shall submit to the  
7 office a report in the form prescribed by the office.

8       (c) The report must include for the year preceding the date  
9 of the report:

10       (1) the use of local incentives for which the  
11 governing body provided in the ordinance or order nominating the  
12 qualified media production location and the effect of those  
13 incentives on revenue;

14       (2) the number of qualified persons engaging in a  
15 project or activity related to a media production facility at the  
16 qualified media production location; and

17       (3) the types of projects or activities engaged or to  
18 be engaged in by qualified persons at the qualified media  
19 production location.

20       [Sections 485A.152-485A.200 reserved for expansion]

21       SUBCHAPTER E. QUALIFIED PERSON DESIGNATION AND CERTIFICATION

22       Sec. 485A.201. QUALIFIED PERSON. A person is a qualified  
23 person if the office, for the purpose of state benefits under this  
24 chapter, or the nominating body of a qualified media production  
25 location, for the purpose of local benefits, certifies that the  
26 person, not later than 18 months after the date of the designation:

27       (1) will build or construct one or more media

1 production facilities at a location;

2                   (2) will renovate a building or facility solely for  
3 the purpose of being converted into one or more media production  
4 facilities at a location; or

5                   (3) will renovate or expand one or more media  
6 production facilities at a location.

7                   Sec. 485A.202. PROHIBITION           ON           QUALIFIED           PERSON  
8 CERTIFICATION. If the office determines that the nominating body  
9 of a qualified media production location is not complying with this  
10 chapter, the office shall prohibit the certification of a qualified  
11 person at the location until the office determines that the  
12 nominating body is complying with this chapter.

13                   Sec. 485A.203. DURATION OF DESIGNATION. Except as provided  
14 by Section 485A.204, the office's certification of a person as a  
15 qualified person is effective until the second anniversary of the  
16 date the designation is made, regardless of whether the designation  
17 of the qualified media production location at which the qualified  
18 person is to perform its commitments under this chapter is  
19 terminated before that date.

20                   Sec. 485A.204. REMOVAL OF DESIGNATION. The office shall  
21 remove the certification of a qualified person for state benefits  
22 under this chapter if the office determines that the construction,  
23 renovation, improvement, maintenance, or expansion of a media  
24 production facility has not been completed at the qualified media  
25 production location for which it has received its certification  
26 within the period prescribed by Section 485A.201.

27                   [Sections 485A.205-485A.250 reserved for expansion]

1                   SUBCHAPTER F. MEDIA PRODUCTION LOCATION BENEFITS

2                   Sec. 485A.251. EXEMPTION FROM SALES AND USE TAX. Certain  
3                   items are exempt from the sales and use tax as provided by Section  
4                   151.3415, Tax Code.

5                   Sec. 485A.252. MONITORING QUALIFIED PERSON COMMITMENTS.

6                   (a) The office may monitor a qualified person to determine whether  
7                   and to what extent the qualified person has followed through on the  
8                   commitments made by the qualified person under this chapter.

9                   (b) The office may determine that the qualified person is  
10                   not entitled to a tax exemption under Section 151.3415, Tax Code, if  
11                   the office determines that the qualified person:

12                   (1) is not willing to cooperate with the office in  
13                   providing information needed by the office to make the  
14                   determination under Subsection (a);

15                   (2) has substantially failed to follow through on the  
16                   commitments made by the person under this chapter before the first  
17                   anniversary of the date of the qualified media production location  
18                   designation; or

19                   (3) fails to submit the report required by Section  
20                   151.3415, Tax Code.

21                   SECTION 2. Subchapter H, Chapter 151, Tax Code, is amended  
22                   by adding Section 151.3415 to read as follows:

23                   Sec. 151.3415. ITEMS SOLD TO OR USED TO CONSTRUCT,  
24                   MAINTAIN, EXPAND, IMPROVE, EQUIP, OR RENOVATE MEDIA PRODUCTION  
25                   FACILITIES AT MEDIA PRODUCTION LOCATIONS; REPORT. (a) In this  
26                   section, "qualified person" and "qualified media production  
27                   location" have the meanings assigned by Section 485A.002,

1 Government Code.

2        (b) The sale, lease, or rental of a taxable item to a  
3 qualified person is exempted from the taxes imposed by this chapter  
4 for a maximum of two years if the item is used:

5            (1) for the construction, maintenance, expansion,  
6 improvement, or renovation of a media production facility at a  
7 qualified media production location;

8            (2) to equip a media production facility at a  
9 qualified media production location; or

10            (3) for the renovation of a building or facility at a  
11 qualified media production location that is to be used exclusively  
12 as a media production facility.

13            (c) A qualified person shall submit an annual report to the  
14 comptroller regarding the sale, lease, or rental of taxable items  
15 for which a tax exemption is granted to the qualified person under  
16 this section. The report must be in the form and manner prescribed  
17 by the comptroller.

18            (d) The comptroller shall share information from reports  
19 submitted under Subsection (c), on request, with the Music, Film,  
20 Television, and Multimedia Office within the office of the  
21 governor.

22            SECTION 3. This Act takes effect September 1, 2009.

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President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1929 passed the Senate on April 29, 2009, by the following vote: Yeas 30, Nays 1; and that the Senate concurred in House amendment on May 21, 2009, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

I hereby certify that S.B. No. 1929 passed the House, with amendment, on May 15, 2009, by the following vote: Yeas 132, Nays 12, one present not voting.

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Chief Clerk of the House

Approved:

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Date

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Governor