ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 6070

STATE OF NEW JERSEY

DATED: DECEMBER 6, 2021

The Assembly Commerce and Economic Development Committee reports favorably Assembly Bill No. 6070.

This bill makes various changes to the film and digital media content production tax credit program, including increasing the amount of the digital media content production tax credit, allowing certain compensation to be included within the computation of qualified film production expenses, and revising the definition of "New Jersey film-lease partner."

Under the film and digital media content production tax credit program, the State awards tax credits to eligible taxpayers equal to: (1) 30 percent of the qualified film production expenses incurred for use within certain parts of Northern New Jersey, or 35 percent of the qualified film production expenses incurred for use within all other parts of the State; and (2) 25 percent of the qualified digital media content production expenses purchased through vendors located in certain counties in Southern New Jersey, or 20 percent of all other qualified digital media content production expenses purchased within the State.

Under the bill, the amount of the digital media content production portion of the tax credit program would be increased. Specifically, the bill increases the digital media content production tax credit to 35 percent of the qualified digital media content production expenses purchased through vendors located in certain counties in Southern New Jersey, or 30 percent of all other qualified digital media content production expenses purchased within the State. In addition, the bill increases the cumulative annual limitation on digital media content production tax credits from $10 million to $30 million.

The bill also modifies the definition of "qualified film production expenses" to include amounts paid by New Jersey film-lease partners for certain employees. Except for certain allowances for New Jersey studio partners, current law generally prohibits qualified film production expenses from including any payments in excess of $500,000 for: (1) a highly compensated individual for costs for a story, script, or scenario used in the production of a film; and (2) the wages or salaries or other compensation for writers, directors, including music directors, producers, and performers, other than background

actors with no scripted lines. However, this bill would instead allow a New Jersey film-lease partner to include up to $15 million of these payments, in excess of current allowances, in the computation of qualified film production expenses.

The bill also provides that when the New Jersey Economic Development Authority receives applications for more tax credits than are available in any given fiscal year, then the authority may approve applications for excess tax credits during the year in which such applications were submitted, provided that the amount of excess credits would be subtracted from the amounts otherwise available in the next succeeding fiscal years. However, a taxpayer may not claim the excess tax credits or tax credit transfer certificates until the first day of the fiscal year from which the credits were made available.

Additionally, the bill revises the definition of "New Jersey film-lease partner." Under current law, the term includes taxpayers who commit to lease or acquire a New Jersey production facility, with an aggregate square footage of at least 50,000 square feet, for a period of five or more years, and who commit to spending an annual average of $50 million in qualified film production expenses over a designated period of five to 10 years. The bill revises this definition to allow for a New Jersey film-lease partner to lease or acquire a portion of a New Jersey production facility, provided that the leased or acquired portion has an aggregate square footage of at least 50,000 square feet and otherwise meets the requirements of existing law.