



General Assembly

February Session, 2008

Amendment

LCO No. 4646

HB0584304646HDO

Offered by:

REP. AMANN, 118th Dist.
REP. BERGER, 73rd Dist.
REP. FLEISCHMANN, 18th Dist.
REP. GENTILE, 104th Dist.
REP. LEONE, 148th Dist.

REP. STAPLES, 96th Dist.
REP. TALLARITA, 58th Dist.
REP. WILLIS, 64th Dist.
SEN. LEBEAU, 3rd Dist.
SEN. HARTLEY, 15th Dist.

To: House Bill No. 5843

File No. 679

Cal. No. 405

"AN ACT CONCERNING ENTERTAINMENT INDUSTRY TAX CREDITS."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. (NEW) (Effective July 1, 2008, and applicable to income years
4 commencing on or after January 1, 2008) (a) As used in this section:

5 (1) "Commissioner" means the Commissioner of Revenue Services.

6 (2) "Commission" means the Connecticut Commission on Culture
7 and Tourism.

8 (3) "Eligible production company" means a corporation, partnership,
9 limited liability company or other business entity engaged in the
10 business of producing sound recordings on a one-time or ongoing

11 basis and qualified by the Secretary of the State to engage in business
12 in the state.

13 (4) "Production expenses or costs" means all expenditures clearly
14 and demonstrably incurred in the state in the development,
15 preproduction, production or postproduction costs for qualified sound
16 recordings, including:

17 (A) Expenditures incurred in the state in the form of either
18 compensation or purchases, including production work, production
19 equipment not eligible for the infrastructure tax credit provided in
20 section 2 of this act or section 12-217kk of the 2008 supplement to the
21 general statutes, production software, postproduction work,
22 postproduction equipment, postproduction software, special effects,
23 audio effects, music, sound mixing, soundstages, and any and all other
24 costs or services directly incurred in connection with a qualified sound
25 recording;

26 (B) Expenditures for distribution, including preproduction,
27 production or postproduction costs relating to the creation of trailers,
28 marketing videos, and any and all content created on film or digital
29 media, including the duplication of recordings, CDs, DVDs, and any
30 and all digital files now in existence and those yet to be created for
31 mass consumer consumption; the purchase, by a company in the state,
32 of any and all equipment relating to the duplication or mass market
33 distribution of any content created or produced in the state by any
34 digital media format which is now in use and those formats yet to be
35 created for mass consumer consumption; and

36 (C) "Production expenses or costs" does not include the following:
37 (i) On and after January 1, 2008, compensation in excess of one million
38 dollars paid to any individual or entity representing an individual, for
39 services provided in the production of a sound recording; (ii) media
40 buys, promotional events or gifts, or public relations associated with
41 the promotion or marketing of any sound recording; (iii) deferred,
42 leveraged or profit participation costs relating to any and all personnel

43 associated with any and all aspects of the production, including, but
44 not limited to, producer fees, director fees and talent fees; (iv) costs
45 relating to the transfer of the sound recording tax credits; and (v) any
46 amounts paid to persons or businesses as a result of their participation
47 in profits from the exploitation of the sound recording.

48 (5) "Sound recording" means a recording of music, poetry or
49 spoken-word performance, including any audio made for television
50 programs, video, movies, records, distribution, additional audio
51 replacement, Internet companies and digital content. "Sound
52 recording" does not include the audio portions of dialogue or words
53 spoken and recorded as part of news coverage or athletic events.

54 (6) "Qualified sound recording" means a sound recording produced
55 by an eligible production company that (A) is in compliance with
56 regulations adopted pursuant to subsection (g) of this section, (B) is
57 authorized to conduct business in this state, and (C) has been
58 approved by the commission as qualifying for a sound recording tax
59 credit under this section.

60 (7) "Post-certification remedy" means the recapture, disallowance,
61 recovery, reduction, repayment, forfeiture, decertification or any other
62 remedy that would have the effect of reducing or otherwise limiting
63 the use of a tax credit provided by this section.

64 (b) (1) The Connecticut Commission on Culture and Tourism shall
65 administer a system of tax credit vouchers for eligible production
66 companies producing a qualified sound recording in the state. Any
67 eligible production company incurring production expenses or costs in
68 excess of five thousand dollars, but less than fifteen thousand dollars,
69 shall be eligible for a credit against the tax imposed under chapter 207
70 or 208 of the general statutes equal to twenty-five per cent of such
71 production expenses or costs. Any eligible production company
72 incurring production expenses or costs of fifteen thousand dollars or
73 more, shall be eligible for a credit against the tax imposed under
74 chapter 207 or 208 of the general statutes equal to thirty per cent of

75 such production expenses or costs. Such expenses or costs shall be
76 counted toward such credit when incurred within the state and used
77 within the state, and no expenses or costs incurred outside the state
78 shall be eligible for a credit, even if subsequently used within the state
79 in the production of a sound recording.

80 (2) Any credit allowed pursuant to this section may be sold,
81 assigned or otherwise transferred, in whole or in part, to one or more
82 taxpayers, provided no credit, after issuance, may be sold, assigned or
83 otherwise transferred, in whole or in part, more than three times.

84 (3) Any credit allowed under this section may be carried forward for
85 the three immediately succeeding income years. Any tax credit
86 allowed under this section shall be nonrefundable.

87 (4) The total amount of credits granted to all taxpayers pursuant to
88 this section shall not exceed five million dollars in any one fiscal year.
89 If the total amount of credits applied for in one fiscal year exceeds said
90 five-million-dollar limit, the commission may treat such excess amount
91 as having been applied for on the first day of the subsequent fiscal
92 year.

93 (c) (1) An eligible production company shall apply to the
94 commission for a tax credit voucher on an annual basis, but not later
95 than ninety days after the first production expenses or costs are
96 incurred in the production of a qualified sound recording, and shall
97 provide with such application such information as the commission
98 may require to determine such company's eligibility to claim a credit
99 under this section. No production expenses or costs may be listed more
100 than once for purposes of the tax credit voucher pursuant to this
101 section, section 2 of this act, section 12-217kk of the 2008 supplement to
102 the general statutes or section 12-217ll of the 2008 supplement to the
103 general statutes, as amended by this act, and if a production expense
104 or cost has been included in a claim for a credit, such production
105 expense or cost may not be included in any subsequent claim for a
106 credit.

107 (2) Not earlier than three months after the application in subdivision
108 (1) of this subsection, an eligible production company may apply to the
109 commission for a sound recording tax credit voucher, and shall
110 provide with such application such information and independent
111 certification as the commission may require pertaining to the amount
112 of such company's production expenses or costs to date. If the
113 commission determines that such company is eligible to be issued a
114 sound recording tax credit voucher, the commission shall enter on the
115 voucher the amount of production expenses or costs that has been
116 established to the satisfaction of the commission and the amount of
117 such company's credit under this section. The commission shall
118 provide a copy of such voucher to the commissioner, upon request.

119 (3) Not later than ninety days after the end of the annual period, or
120 after the last production expenses or costs are incurred in the
121 production of a qualified sound recording, an eligible production
122 company shall apply to the commission for a sound recording tax
123 credit voucher, and shall provide with such application such
124 information and independent certification as the commission may
125 require pertaining to the amount of such company's production
126 expenses or costs. If the commission determines that such company is
127 eligible to be issued a production tax credit voucher, the commission
128 shall enter on the voucher the amount of production expenses or costs
129 that has been established to the satisfaction of the commission, minus
130 the amount of any credit issued pursuant to subdivision (2) of this
131 subsection and the amount of such company's credit under this
132 section. The commission shall provide a copy of such voucher to the
133 commissioner, upon request.

134 (d) If an eligible production company sells, assigns or otherwise
135 transfers a credit under this section to another taxpayer, the transferor
136 and transferee shall jointly submit written notification of such transfer
137 to the commission not later than thirty days after such transfer. If such
138 transferee sells, assigns or otherwise transfers a credit under this
139 section to a subsequent transferee, such transferee and such
140 subsequent transferee shall jointly submit written notification of such

141 transfer to the commission not later than thirty days after such
142 transfer. The notification after each transfer shall include the credit
143 voucher number, the date of transfer, the amount of such credit
144 transferred, the tax credit balance before and after the transfer, the tax
145 identification numbers for both the transferor and the transferee, and
146 any other information required by the commission. Failure to comply
147 with this subsection shall result in a disallowance of the tax credit until
148 there is full compliance on the part of the transferor and the transferee,
149 and for a second or third transfer, on the part of all subsequent
150 transferors and transferees. The commission shall provide a copy of
151 the notification of assignment to the commissioner upon request.

152 (e) Any eligible production company that wilfully submits
153 information to the commission that it knows to be fraudulent or false
154 shall, in addition to any other penalties provided by law, be liable for a
155 penalty equal to the amount of such company's credit entered on the
156 sound recording tax credit certificate issued under this section.

157 (f) The issuance by the commission of a tax credit voucher with
158 respect to an amount of tax credits stated thereon shall mean that none
159 of such tax credits are subject to a post-certification remedy, and that
160 the commission and the commissioner shall have no right, except in
161 the case of possible material misrepresentation or fraud, to conduct
162 any further or additional review, examination or audit of the
163 expenditures or costs for which such tax credits were issued. If at any
164 time after the issuance of a tax credit voucher the commission or the
165 commissioner determines that there was a material misrepresentation
166 or fraud on the part of an eligible production company in connection
167 with the submission of an expense report and the result of such
168 material misrepresentation or fraud was that (1) a specific amount of
169 tax credits was reflected on the tax credit voucher issued in response to
170 such expense report that would not have otherwise been so reflected,
171 and (2) such tax credits would otherwise be subject to a post-
172 certification remedy, such tax credits shall not be subject to any post-
173 certification remedy, and the sole and exclusive remedy of the
174 commission and the commissioner shall be to seek collection of the

175 amount of such tax credits from the eligible production company that
176 committed the fraud or misrepresentation, not from any transferee of
177 such tax credits.

178 (g) The commission, in consultation with the commissioner, shall
179 adopt regulations, in accordance with the provisions of chapter 54 of
180 the general statutes, as may be necessary for the administration of this
181 section.

182 Sec. 2. (NEW) (*Effective July 1, 2008, and applicable to income years*
183 *commencing on or after January 1, 2008*) (a) As used in this section:

184 (1) "Commissioner" means the Commissioner of Revenue Services.

185 (2) "Commission" means the Connecticut Commission on Culture
186 and Tourism.

187 (3) "Infrastructure project" means a capital project to provide basic
188 buildings, facilities or installations needed for the functioning of the
189 sound recording industry in this state.

190 (4) "Sound recording" means a recording of music, poetry or
191 spoken-word performance, including any audio made for television
192 programs, video, movies, records, distribution, additional audio
193 replacement, Internet companies and digital content. "Sound
194 recording" does not include the audio portions of dialogue or words
195 spoken and recorded as part of news coverage or athletic events.

196 (5) "State-certified project" means an infrastructure project for the
197 sound recording industry undertaken in this state by an entity that (A)
198 is in compliance with regulations adopted pursuant to subsection (e) of
199 this section, (B) is authorized to conduct business in this state, (C) is
200 not in default on a loan made by the state or a loan guaranteed by the
201 state, nor has ever declared bankruptcy under which an obligation of
202 the entity to pay or repay public funds was discharged as a part of
203 such bankruptcy, and (D) has been approved by the commission as
204 qualifying for a sound recording infrastructure tax credit under this

205 section.

206 (6) "Post-certification remedy" means the recapture, disallowance,
207 recovery, reduction, repayment, forfeiture, decertification or any other
208 remedy that would have the effect of reducing or otherwise limiting
209 the use of a tax credit provided by this section.

210 (b) (1) There shall be allowed a credit against the tax imposed under
211 chapter 207 or 208 of the general statutes to any taxpayer that invests
212 fifteen thousand dollars or more in a state-certified project. Such credit
213 shall be in an amount equal to twenty per cent of the investment made
214 by such taxpayer.

215 (2) Eligible expenditures pursuant to this section shall include all
216 expenditures for a capital project to provide buildings, facilities or
217 installations, whether leased or purchased, together with necessary
218 equipment for a sound recording facility, including musical and
219 technical equipment, planning, design, materials and construction of
220 music production, rehearsal, state set construction or recording
221 facilities.

222 (3) Any credit allowed pursuant to this section may be sold,
223 assigned or otherwise transferred, in whole or in part, to one or more
224 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in
225 whole or in part, such credit.

226 (4) Any credit allowed pursuant to this section may be claimed
227 against the tax imposed under chapter 207 or 208 of the general
228 statutes. If the amount of the credit allowable under this section
229 exceeds the sum of any taxes due from a taxpayer, any such excess
230 amount of the credit allowable under this section may be taken in any
231 of the three immediately succeeding income years. Any tax credit
232 earned under this section shall be nonrefundable.

233 (5) The total amount of credits granted to all taxpayers pursuant to
234 this section shall not exceed five million dollars in any one fiscal year.

235 (c) (1) An entity undertaking an infrastructure project for a sound
236 recording facility shall apply to the commission for an eligibility
237 certificate not later than ninety days after the first expenses or costs are
238 incurred, and shall provide with such application such information as
239 the commission may require to determine such infrastructure project's
240 eligibility as a state-certified project.

241 (2) Each application for an eligibility certificate shall include: (A) A
242 detailed description of the infrastructure project; (B) a preliminary
243 budget; (C) estimated completion date; and (D) such other information
244 as the commission may require. The commission may require an
245 independent audit of all project costs and expenditures prior to
246 certification. If the commission determines that such project is eligible
247 to be a state-certified project, the commission shall indicate the amount
248 of costs or expenditures that has been established to the satisfaction of
249 the commission and issue to such entity a tax credit certification letter
250 for investors indicating the amount of tax credits available under this
251 section. The commission shall provide a copy of such letter to the
252 commissioner, upon request.

253 (3) Prior to the issuance of a state-certified project tax credit voucher
254 to a taxpayer based upon the tax credit certification letter issued
255 pursuant to subdivision (2) of this subsection, the entity undertaking
256 such infrastructure project shall provide the commission with a
257 description of the progress on such project and an estimated
258 completion date. The commission may require an independent audit of
259 all project costs and expenditures prior to issuance of such tax credit
260 voucher to a taxpayer. No such tax credit voucher may be issued prior
261 to such time as such state-certified project is shown to be not less than
262 sixty per cent complete.

263 (d) If a taxpayer sells, assigns or otherwise transfers a credit under
264 this section to another taxpayer, the transferor and transferee shall
265 jointly submit written notification of such transfer to the commission
266 not later than thirty days after such transfer. The notification shall
267 include the credit certificate number, the date of transfer, the amount

268 of such credit transferred, the tax credit balance before and after the
269 transfer, the tax identification numbers for both the transferor and the
270 transferee and any other information required by the commissioner.
271 After the initial issuance of a tax credit, such credit may be sold,
272 assigned or otherwise transferred not more than three times. Failure to
273 comply with this subsection will result in a disallowance of the tax
274 credit until there is full compliance on both the part of the transferor
275 and the transferee, and all subsequent transferors and transferees. The
276 commission shall provide a copy of the notification of assignment to
277 the commissioner upon request.

278 (e) The issuance by the commission of a tax credit voucher with
279 respect to an amount of tax credits stated thereon shall mean that none
280 of such tax credits are subject to a post-certification remedy, and that
281 the commission and the commissioner shall have no right, except in
282 the case of a possible material misrepresentation or fraud, to conduct
283 any further or additional review, examination or audit of the
284 expenditures or costs for which such tax credits were issued. If at any
285 time after the issuance of a tax credit voucher the commission or the
286 commissioner determines that there was a material misrepresentation
287 or fraud on the part of a taxpayer in connection with the submission of
288 an expense report and the result of such material misrepresentation or
289 fraud was that (1) a specific amount of tax credits was reflected on the
290 tax credit voucher issued in response to such expense report that
291 would not have otherwise been so reflected, and (2) such tax credits
292 would otherwise be subject to a post-certification remedy, such tax
293 credits shall not be subject to any post-certification remedy, and the
294 sole and exclusive remedy of the commission and the commissioner
295 shall be to seek collection of the amount of such tax credits from the
296 taxpayer that committed the fraud or misrepresentation, not from any
297 transferee of the tax credits.

298 (f) The commission, in consultation with the commissioner, shall
299 adopt regulations, in accordance with the provisions of chapter 54 of
300 the general statutes, as may be necessary for the administration of this
301 section.

302 Sec. 3. Section 10-417 of the 2008 supplement to the general statutes
303 is repealed and the following is substituted in lieu thereof (*Effective*
304 *from passage*):

305 (a) With respect to digital media and motion picture activities, the
306 Connecticut Commission on Culture and Tourism, established under
307 section 10-392, shall have the following powers and duties:

308 (1) To promote the use of Connecticut locations, structures, facilities
309 and services for the production and postproduction of all digital media
310 and motion pictures and other media-related products;

311 (2) To provide support services to visiting and in-state production
312 companies, including assistance to digital media and motion picture
313 producers in securing permits from state agencies, authorities or
314 institutions or municipalities or other political subdivisions of the
315 state;

316 (3) To develop and update a resource library concerning the many
317 possible state sites which are suitable for production;

318 (4) To develop and update a production manual of available digital
319 media and motion picture production facilities and services in the
320 state;

321 (5) To conduct and attend trade shows and production workshops
322 to promote Connecticut locations and facilities;

323 (6) To prepare an explanatory guide showing the impact of relevant
324 state and municipal tax statutes, regulations and administrative
325 opinions on typical production activities and to implement the tax
326 credits provided for in section 12-217jj of the 2008 supplement to the
327 general statutes, as amended by this act;

328 (7) To formulate and propose guidelines for state agencies for a "one
329 stop permitting" process for matters including, but not limited to, the
330 use of state roads and highways, the use of state-owned real or
331 personal property for production activities and the conduct of

332 regulated activities, and to hold workshops to assist state agencies in
333 implementing such process;

334 (8) To formulate and recommend to municipalities model local
335 ordinances and forms to assist production activities, including, but not
336 limited to, "one stop permitting" of digital media and motion picture
337 and other production activity to be conducted in a municipality, and to
338 hold workshops to assist municipalities in implementing such
339 ordinances;

340 (9) To accept any funds, gifts, donations, bequests or grants of funds
341 from private and public sources for the purposes of this section;

342 (10) To request and obtain from any state agency, authority or
343 institution or any municipality or other political subdivision of the
344 state such assistance and data as will enable the commission to carry
345 out the purposes of this section;

346 (11) To assist and promote cooperation among all segments of
347 management and labor that are engaged in digital media and motion
348 pictures;

349 (12) To take any other administrative action which may improve the
350 position of the state's digital media and motion picture production
351 industries in national and international markets.

352 (b) (1) Beginning June 1, 2008, and monthly thereafter, the
353 commission shall submit to the joint standing committees of the
354 General Assembly having cognizance of matters relating to commerce
355 and finance, revenue and bonding, a report on the status of the film
356 production tax credit, the digital animation production tax credit, and
357 the infrastructure projects tax credit. Such report shall include
358 information on activities taking place pursuant to each of such tax
359 credit programs.

360 (2) On or before January 15, 2008, and biennially thereafter, the
361 commission shall submit to the General Assembly, in accordance with

362 section 11-4a, a report on the activities of the commission under this
363 section and the estimated direct and indirect economic impact of all
364 digital media, motion pictures and related production activity in the
365 state, during the preceding calendar years. Each such report shall also
366 include an analysis of the impact on the state of each qualified
367 production, as defined in section 12-217jj of the 2008 supplement to the
368 general statutes, as amended by this act.

369 Sec. 4. (NEW) (*Effective July 1, 2008*) (a) To stimulate the growth of
370 film and digital media employment in the state, the Commission on
371 Culture and Tourism, in collaboration with the Office of Workforce
372 Competitiveness, shall:

373 (1) Work collaboratively with other agencies, as necessary, to
374 improve notification to state residents who are film industry
375 professionals of digital and media production opportunities within the
376 state. Said commission shall update and maintain an interactive web
377 site and Internet database of freelance resident film professionals, and
378 shall work with said office to improve notification of freelance feature
379 and commercial production opportunities within the state.

380 (2) Encourage membership in film industry unions by informing
381 residents about the union membership process, and encouraging
382 residents to use the application, examination and selection processes of
383 each union.

384 (3) Conduct research and study in the following areas: (A) The
385 barriers to resident businesses that could provide equipment and
386 services to film productions, and devise outreach and education
387 programs to inform such businesses of opportunities; (B) the most
388 effective ways to further encourage out-of-state companies to relocate
389 or establish satellite offices in Connecticut; and (C) the identification of
390 opportunities across the spectrum of digital media, including
391 postproduction, animation, gaming technology, special effects and
392 computer graphics.

393 (b) On or before January 1, 2009, and annually thereafter, the

394 Commission on Culture and Tourism, in collaboration with the Office
395 of Workforce Competitiveness, shall submit a report, in accordance
396 with the provisions of section 11-4a of the general statutes, to the joint
397 standing committees of the General Assembly having cognizance of
398 matters relating to commerce, finance, revenue and bonding and
399 higher education, regarding actions taken to implement subsection (a)
400 of this section.

401 Sec. 5. (NEW) (*Effective July 1, 2008*) (a) The Office of Workforce
402 Competitiveness, in consultation with the Commission on Culture and
403 Tourism and the Departments of Economic and Community
404 Development, Education and Higher Education, shall develop film
405 industry training programs to support two areas of the state's film
406 industry, feature films and digital media. Such programs shall target
407 (1) professionals trained in the feature film industry, (2) professionals
408 trained in film and video-related media, but not experienced in feature
409 film production, (3) individuals interested in entry into the film
410 industry, and (4) students in middle and high school, and students in
411 institutions of higher education.

412 (b) The training programs for feature film production shall use a
413 three-phase model to create a skilled workforce in the film production
414 industry in the state. Such program shall provide training by members
415 of labor organizations and practical experience on motion picture
416 projects. Courses using the curriculum shall be available at up to five
417 locations in different regions of the state.

418 (1) The first phase course shall be an introduction to the various
419 production departments within the industry, such as: (A) Production
420 management and direction, (B) location management, (C) production
421 office coordination, (D) budget, accounting and payroll, (E) script
422 supervision, (F) camera, (G) sound, (H) property, (I) set decoration and
423 set dressing, (J) set construction and scenic art, (K) lighting, (L) grip,
424 (M) costume and wardrobe, (N) hair and make-up, (O) special effects,
425 (P) visual effects, (Q) post production, and (R) extras casting. The first
426 phase course shall provide an overview of motion picture production,

427 set etiquette and operations, and the various positions on the set, as
428 well as providing insight into the work of a free-lance production
429 crewperson.

430 (2) For purposes of the second phase course, a selection process
431 shall be established in which trainees apply for specific department
432 training, and instructors select trainees that are best equipped to
433 achieve success in such departments. After such selection, the four
434 weeks of the second phase course shall consist of specialized classroom
435 training in the trainees' chosen department.

436 (3) The third phase course shall be an eight to twelve-week paid
437 position with a mentor on a feature film. The mentorship program
438 shall be available to residents of this state who (A) have professional
439 experience in some aspect of the film and digital media industry, (B)
440 are graduates of college-level programs in such fields, and (C) have
441 successfully completed first and second phase courses of the film
442 industry training program. The mentorship program shall be designed
443 for persons who are ready to declare a professional interest in a
444 particular area of film production and have the intention of applying
445 for membership in the appropriate labor organization. Funding for the
446 mentorship program shall be shared on a percentage basis with
447 sponsoring production employers in feature film or digital media. The
448 Office of Workforce Competitiveness may provide additional
449 internship programs for individuals and students who desire entry-
450 level experience in the film and digital media industry. Funding for
451 such internship positions shall be shared with sponsoring production
452 employers in feature or digital media production.

453 (c) (1) The training program for the digital media industry may be
454 made available at middle schools and high schools, including the
455 vocational-technical high schools, and, based on articulation
456 agreements, at two and four-year institutions of higher education. The
457 Office of Workforce Competitiveness, in consultation with the
458 Department of Education, shall establish a digital media and movie
459 making course to develop and enhance academic skills, creative

460 thinking, digital media literacy and film making skills, while
461 increasing students' knowledge of film making careers through the
462 completion of a digital film project. The project shall be comprehensive
463 and standards-based, and shall include research, story development,
464 script writing, computer-assisted design, computer animation, digital
465 audio, digital photography and digital video production. Students
466 shall organize movie production teams and assume positions on the
467 team to complete their digital film project.

468 (2) For purposes of the digital media training program, the Office of
469 Workforce Competitiveness shall: (A) Use a research-based and
470 proven experiential instructional model to deliver digital media and
471 movie making teaching and learning activities for a culturally and
472 economically diverse group of students in Connecticut high schools;
473 (B) use a national science foundation-recognized instructional model
474 as a foundation to develop an online digital media and movie making
475 curriculum for students in grades nine to twelve, inclusive; (C) utilize
476 the existing Connecticut Career Choices' online blended learning
477 environment for students, teachers, film industry professionals and
478 college faculty to deliver, extend and enhance digital media and movie
479 making education using a variety of Internet learning technologies; (D)
480 include professional development for high school teachers in the use of
481 the course materials with strategies to adapt the curriculum for all
482 students in all courses; and (E) arrange for students to present their
483 films at a student film festival to be held as part of the annual
484 Connecticut Innovation Exposition.

485 (d) For purposes of program development and implementation, the
486 Office of Workforce Competitiveness shall enter into a memorandum
487 of understanding with the Department of Economic and Community
488 Development, which shall include provisions for the transfer of such
489 funds to said office as are required to implement the provisions of this
490 section.

491 (e) The Office of Workforce Competitiveness, in cooperation with
492 the Department of Economic and Community Development, shall

493 submit a report, in accordance with section 11-4a of the general
494 statutes, to the joint standing committees of the General Assembly
495 having cognizance of matters relating to commerce and higher
496 education and employment advancement, on or before March 15, 2009.
497 Such report shall include information on the implementation of the
498 programs established pursuant to this section, an evaluation of
499 available resources for such programs, and any recommendations for
500 changes.

501 Sec. 6. (NEW) (*Effective July 1, 2008*) The Commission on Culture
502 and Tourism, in consultation with the Department of Economic and
503 Community Development and the Office of Workforce
504 Competitiveness, shall report, in accordance with section 11-4a of the
505 general statutes, to the joint standing committees of the General
506 Assembly having cognizance of matters relating to commerce and
507 higher education and employment advancement on or before October
508 1, 2008. The report shall include: (1) An evaluation of the needs and
509 available programs and curricula in place at public institutions of
510 higher education; (2) a list of existing film production companies in the
511 state; (3) a list of existing film industry labor organizations in the state;
512 (4) available paid and unpaid internships; and (5) available film studio
513 resources.

514 Sec. 7. (NEW) (*Effective July 1, 2008*) There is established a film
515 industry training account, which shall be a separate, nonlapsing
516 account within the General Fund. The account shall contain all moneys
517 required by law to be deposited in the account, and may contain any
518 donations received for deposit into the account. The moneys in the
519 account shall be allocated to the Department of Economic and
520 Community Development for the purpose of providing grants to the
521 Office of Workforce Competitiveness as needed to implement the
522 provisions of section 5 of this act.

523 Sec. 8. Section 32-1m of the 2008 supplement to the general statutes
524 is repealed and the following is substituted in lieu thereof (*Effective July*
525 *1, 2008*):

526 (a) Not later than February 1, 2006, and annually thereafter, the
527 Commissioner of Economic and Community Development shall
528 submit a report to the Governor and the General Assembly, in
529 accordance with the provisions of section 11-4a. Not later than thirty
530 days after submission of the report to the Governor and the General
531 Assembly, said commissioner shall post the report on the Department
532 of Economic and Community Development's web site. Said report
533 shall include, but not be limited to, the following information with
534 regard to the activities of the Department of Economic and
535 Community Development during the preceding state fiscal year:

536 (1) A brief description and assessment of the state's economy during
537 such year, utilizing the most recent and reasonably available data, and
538 including:

539 (A) Connecticut employment by industry;

540 (B) Connecticut and national average unemployment;

541 (C) Connecticut gross state product, by industry;

542 (D) Connecticut productivity, by industry, compared to the national
543 average;

544 (E) Connecticut manufacturing activity;

545 (F) Identification of economic and competitive conditions affecting
546 Connecticut's industry sectors, problems resulting from these
547 conditions and state efforts to address the problems; and

548 (G) Any other economic information that the commissioner deems
549 appropriate.

550 (2) A statement of the department's economic and community
551 development objectives, measures of program success and standards
552 for granting financial and nonfinancial assistance under programs
553 administered by the department.

554 (3) An analysis of the economic development portfolio of the
555 department, including:

556 (A) A list of the names, addresses and locations of all recipients of
557 the department's assistance;

558 (B) The following information concerning each recipient of such
559 assistance: (i) Business activities, (ii) standard industrial classification
560 codes or North American industrial classification codes, (iii) number of
561 full-time jobs and part-time jobs at the time of application, (iv) number
562 of actual full-time jobs and actual part-time jobs during the preceding
563 state fiscal year, (v) whether the recipient is a minority or woman-
564 owned business, (vi) a summary of the terms and conditions for the
565 assistance, including the type and amount of state financial assistance,
566 job creation or retention requirements and anticipated wage rates, (vii)
567 the amount of investments from private and other nonstate sources
568 that have been leveraged by the assistance, (viii) the extent to which
569 employees of the recipient participate in health benefit plans offered
570 by such recipient, (ix) the extent to which the recipient offers unique
571 economic, social, cultural or aesthetic attributes to the municipality in
572 which the recipient is located or to the state, and (x) the amount of
573 state investment;

574 (C) A portfolio analysis, including (i) an analysis of the wages paid
575 by recipients of financial assistance, (ii) the average portfolio wage,
576 median portfolio wage, highest and lowest portfolio wage, (iii)
577 portfolio wage data by industry, and (iv) portfolio wage data by
578 municipality;

579 (D) An investment analysis, including (i) total portfolio value, (ii)
580 total investment by industry, (iii) portfolio dollar per job average, (iv)
581 portfolio leverage ratio, and (v) percentage of financial assistance
582 which was provided to high performance work organizations in the
583 preceding state fiscal year; and

584 (E) An analysis of the estimated economic effects of the
585 department's economic development investments on the state's

586 economy, including (i) contribution to gross state product for the total
587 economic development portfolio and for any investment activity
588 occurring in the preceding state fiscal year, (ii) direct and indirect
589 employment created by the investments for the total portfolio and for
590 any investment activity occurring in the preceding state fiscal year, (iii)
591 productivity of recipients of financial assistance as a result of the
592 department's investment occurring in the preceding state fiscal year,
593 (iv) directly or indirectly increased property values in the
594 municipalities in which the recipients of assistance are located, and (v)
595 personal income.

596 (4) An analysis of the community development portfolio of the
597 department, including:

598 (A) A list of the names, addresses and locations of all recipients of
599 the department's assistance;

600 (B) The following information concerning each recipient of such
601 assistance: (i) Amount of state investment, (ii) a summary of the terms
602 and conditions for the department's assistance, including the type and
603 amount of state financial assistance, and (iii) the amount of
604 investments from private and other nonstate sources that have been
605 leveraged by such assistance;

606 (C) An investment analysis, including (i) total active portfolio value,
607 (ii) total investments made in the preceding state fiscal year, (iii) total
608 portfolio by municipality, (iv) total investments made in the preceding
609 state fiscal year categorized by municipality, (v) total portfolio
610 leverage ratio, and (vi) leverage ratio of the total investments made in
611 the preceding state fiscal year; and

612 (D) An analysis of the estimated economic effects of the
613 department's economic development investments on the state's
614 economy, including (i) contribution to gross state product for the total
615 portfolio and for any investment activity occurring in the preceding
616 state fiscal year, (ii) direct and indirect employment created by the
617 investments for the total portfolio and for any investment activity

618 occurring in the preceding state fiscal year, (iii) productivity of
619 recipients of financial assistance as a result of the department's
620 investment occurring in the preceding state fiscal year, (iv) directly or
621 indirectly increased property values in the municipalities in which the
622 recipients are located, and (v) personal income.

623 (5) A summary of the department's economic and community
624 development marketing efforts in the preceding state fiscal year, a
625 summary of the department's business recruitment strategies and
626 activities in such year, and a summary of the department's efforts to
627 assist small businesses and minority business enterprises in such year.

628 (6) A summary of the department's international trade efforts in the
629 preceding state fiscal year, and, to the extent possible, a summary of
630 foreign direct investment that occurred in the state in such year.

631 (7) Identification of existing economic clusters, the formation of new
632 economic clusters, the measures taken by the commissioner during the
633 preceding state fiscal year to encourage the growth of economic
634 clusters and the amount of bond funds expended by the department
635 during the previous fiscal year on each economic cluster.

636 (8) (A) A summary of the department's brownfield-related efforts
637 and activities within the Office of Brownfield Remediation and
638 Development established pursuant to subsections (a) to (f), inclusive,
639 of section 32-9cc of the 2008 supplement to the general statutes in the
640 preceding state fiscal year, except for activity under the Special
641 Contaminated Property Remediation and Insurance Fund program.
642 Such efforts shall include, but not be limited to, (i) total portfolio
643 investment in brownfield remediation projects, (ii) total investment in
644 brownfield remediation projects in the preceding state fiscal year, (iii)
645 total number of brownfield remediation projects, (iv) total number of
646 brownfield remediation projects in the preceding state fiscal year, (v)
647 total of reclaimed and remediated acreage, (vi) total of reclaimed and
648 remediated acreage in the preceding state fiscal year, (vii) leverage
649 ratio for the total portfolio investment in brownfield remediation

650 projects, and (viii) leverage ratio for the total portfolio investment in
651 brownfield remediation projects in the preceding state fiscal year. Such
652 summary shall include a list of such brownfield remediation projects
653 and, for each such project, the name of the developer and the location
654 by street address and municipality and a tracking of all funds
655 administered through or by said office;

656 (B) A summary of the department's efforts with regard to the
657 Special Contaminated Property Remediation and Insurance Fund,
658 including, but not limited to, (i) the number of applications received in
659 the preceding state fiscal year, (ii) the number and amounts of loans
660 made in such year, (iii) the names of the applicants for such loans, (iv)
661 the average time period between submission of application and the
662 decision to grant or deny the loan, (v) a list of the applications
663 approved and the applications denied and the reasons for such
664 denials, and (vi) for each project, the location by street address and
665 municipality; and

666 (C) A summary of the department's efforts with regard to the dry
667 cleaning grant program, established pursuant to section 12-263m of the
668 2008 supplement to the general statutes, including, but not limited to,
669 (i) information as to the number of applications received, (ii) the
670 number and amounts of grants made since the inception of the
671 program, (iii) the names of the applicants, (iv) the time period between
672 submission of application and the decision to grant or deny the loan,
673 (v) which applications were approved and which applications were
674 denied and the reasons for any denials, and (vi) a recommendation as
675 to whether the surcharge and grant program established pursuant to
676 section 12-263m of the 2008 supplement to the general statutes should
677 continue.

678 (9) The following information concerning enterprise zones
679 designated under section 32-70:

680 (A) A statement of the current goals for enterprise zones;

681 (B) A statement of the current performance standards to measure

682 the progress of municipalities that have enterprise zones in attaining
683 the goals for such zones;

684 (C) A report from each municipality that has an enterprise zone,
685 which evaluates the progress of the municipality in meeting the
686 performance standards established under section 32-70a; and

687 (D) An assessment of the performance of each enterprise zone based
688 on information collected under subparagraph (C) of this subdivision.

689 (10) With regard to the department's housing-development-related
690 functions and activities:

691 (A) A brief description and assessment of the state's housing market
692 during the preceding state fiscal year, utilizing the most recent and
693 reasonably available data, and including, but not limited to, (i) a brief
694 description of the significant characteristics of such market, including
695 supply, demand and condition and cost of housing, and (ii) any other
696 information that the commissioner deems appropriate;

697 (B) A comprehensive assessment of current and future needs for
698 rental assistance under section 8-119kk for housing projects for the
699 elderly and disabled, in consultation with the Connecticut Housing
700 Finance Authority;

701 (C) An analysis of the progress of the public and private sectors
702 toward meeting housing needs in the state, using building permit data
703 from the United States Census Bureau and demolition data from
704 Connecticut municipalities;

705 (D) A list of municipalities that meet the affordable housing criteria
706 set forth in subsection (k) of section 8-30g, pursuant to regulations that
707 the Commissioner of Economic and Community Development shall
708 adopt pursuant to the provisions of chapter 54. For the purpose of
709 determining the percentage required by subsection (k) of said section
710 8-30g, the commissioner shall use as the denominator the number of
711 dwelling units in the municipality, as reported in the most recent

712 United States decennial census; and

713 (E) A statement of the department's housing development
714 objectives, measures of program success and standards for granting
715 financial and nonfinancial assistance under programs administered by
716 said commissioner.

717 (11) A presentation of the state-funded housing development
718 portfolio of the department, including:

719 (A) A list of the names, addresses and locations of all recipients of
720 such assistance; and

721 (B) For each such recipient, (i) a summary of the terms and
722 conditions for the assistance, including the type and amount of state
723 financial assistance, (ii) the amount of investments from private and
724 other nonstate sources that have been leveraged by the assistance, (iii)
725 the number of new units to be created and the number of units to be
726 preserved at the time of the application, and (iv) the number of actual
727 new units created and number of units preserved.

728 (12) An analysis of the state-funded housing development portfolio
729 of the department, including:

730 (A) An investment analysis, including the (i) total active portfolio
731 value, (ii) total investment made in the preceding state fiscal year, (iii)
732 portfolio dollar per new unit created, (iv) estimated dollars per new
733 unit created for projects receiving an assistance award in the preceding
734 state fiscal year, (v) portfolio dollars per unit preserved, (vi) estimated
735 dollar per unit preserved for projects receiving an assistance award in
736 the preceding state fiscal year, (vii) portfolio leverage ratio, and (viii)
737 leverage ratio for housing development investments made in the
738 preceding state fiscal year; and

739 (B) A production and preservation analysis, including (i) the total
740 number of units created, itemized by municipality, for the total
741 portfolio and projects receiving an assistance award in the preceding

742 state fiscal year, (ii) the total number of elderly units created for the
743 total portfolio and for projects receiving an assistance award in the
744 preceding state fiscal year, (iii) the total number of family units created
745 for the total portfolio and for projects receiving an assistance award in
746 the preceding state fiscal year, (iv) the total number of units preserved,
747 itemized by municipality, for the total portfolio and projects receiving
748 an assistance award in the preceding state fiscal year, (v) the total
749 number of elderly units preserved for the total portfolio and for
750 projects receiving an assistance award in the preceding state fiscal
751 year, (vi) the total number of family units preserved for the total
752 portfolio and for projects receiving an assistance award in the
753 preceding state fiscal year, (vii) an analysis by income group of
754 households served by the department's housing construction,
755 substantial rehabilitation, purchase and rental assistance programs, for
756 each housing development, if applicable, and for each program,
757 including number of households served under each program by race
758 and data for all households, and (viii) a summary of the department's
759 efforts in promoting fair housing choice and racial and economic
760 integration, including data on the racial composition of the occupants
761 and persons on the waiting list of each housing project that is assisted
762 under any housing program established by the general statutes or a
763 special act or that is supervised by the department, provided no
764 information shall be required to be disclosed by any occupant or
765 person on a waiting list for the preparation of such summary. As used
766 in this subparagraph, "elderly units" means dwelling units for which
767 occupancy is restricted by age, and "family units" means dwelling
768 units for which occupancy is not restricted by age.

769 (13) An economic impact analysis of the department's housing
770 development efforts and activities, including, but not limited to:

771 (A) The contribution of such efforts and activities to the gross state
772 product;

773 (B) The direct and indirect employment created by the investments
774 for the total housing development portfolio and for any investment

775 activity for such portfolio occurring in the preceding state fiscal year;
776 and

777 (C) Personal income in the state.

778 (14) With regard to the Housing Trust Fund and Housing Trust
779 Fund program, as those terms are defined in section 8-336m:

780 (A) Activities for the prior fiscal year of the Housing Trust Fund and
781 the Housing Trust Fund program; and

782 (B) The efforts of the department to obtain private support for the
783 Housing Trust Fund and the Housing Trust Fund program.

784 (15) With regard to the department's energy conservation loan
785 program:

786 (A) The number of loans or deferred loans made during the
787 preceding fiscal year under each component of such program and the
788 total amount of the loans or deferred loans made during such fiscal
789 year under each such component;

790 (B) A description of each step of the loan or deferred loan
791 application and review process;

792 (C) The location of each loan or deferred loan application intake site
793 for such program;

794 (D) The average time period for the processing of loan or deferred
795 loan applications during such fiscal year; and

796 (E) The total administrative expenses of such program for such
797 fiscal year.

798 (16) With regard to the film industry in the state:

799 (A) An analysis of activities undertaken by the department to
800 support the growth of such industry;

801 (B) A brief description of the status of the film industry within the
802 state, its impact on the state's economy and any issues that are facing
803 such industry; and

804 (C) Recommendations for continuing the development of the film
805 and entertainment industries in the state.

806 [(16)] (17) A summary of the total social and economic impact of the
807 department's efforts and activities in the areas of economic,
808 community and housing development, and an assessment of the
809 department's performance in terms of meeting its stated goals and
810 objectives.

811 (b) Any annual report that is required from the department by any
812 provision of the general statutes shall be incorporated into the annual
813 report provided pursuant to subsection (a) of this section.

814 Sec. 9. Section 12-217ll of the 2008 supplement to the general statutes
815 is repealed and the following is substituted in lieu thereof (*Effective July*
816 *1, 2008*):

817 (a) As used in this section:

818 (1) "Commissioner" means the Commissioner of Revenue Services.

819 (2) "Commission" means the Connecticut Commission on Culture
820 and Tourism.

821 (3) "Digital animation production company" means a corporation,
822 partnership, limited liability company or other business entity engaged
823 exclusively in digital animation production activity on an ongoing
824 basis, and that is qualified by the Secretary of the State to engage in
825 business in the state.

826 (4) "State-certified digital animation production company" means a
827 digital animation production company that (A) maintains studio
828 facilities located within the state at which digital animation production
829 activities are conducted, (B) employs at least two hundred full-time

830 employees within the state, (C) is in compliance with regulations
831 adopted pursuant to subsection (h) of this section, and (D) has been
832 certified by the commission.

833 (5) "Digital animation production activity" means the creation,
834 development and production of computer-generated animation
835 content for distribution or exhibition to the general public, but not for
836 the production of any material for which records are required to be
837 maintained under 18 USC 2257 with respect to sexually explicit
838 content.

839 (6) "Full-time employee" means an employee required to work at
840 least thirty-five hours or more per week, and who is not a temporary
841 or seasonal employee.

842 (7) "Post-certification remedy" means the recapture, disallowance,
843 recovery, reduction, repayment, forfeiture, decertification or any other
844 remedy that would have the effect of reducing or otherwise limiting
845 the use of a tax credit provided by this section.

846 (8) "Production expenses or costs" means all expenditures clearly
847 and demonstrably incurred in the state in the development,
848 preproduction, production or postproduction costs of a digital
849 animation production activity, including:

850 (A) Expenditures for optioning or purchase of any intellectual
851 property including, but not limited to, books, scripts, music or
852 trademarks relating to the development or purchase of a script,
853 screenplay or format, to the extent that such expenditures are less than
854 thirty-five per cent of the production expenses or costs incurred by a
855 digital animation production company in any income year. Such
856 expenses or costs shall include all expenditures generally associated
857 with the optioning or purchase of intellectual property, including
858 option money, agent fees and attorney fees relating to the transaction,
859 but shall not include any and all deferrals, deferments, profit
860 participation or recourse or nonrecourse loans which the digital
861 animation production company may negotiate in order to obtain the

862 rights to the intellectual property;

863 (B) Expenditures incurred in the form of either compensation or
864 purchases including production work, production equipment not
865 eligible for the infrastructure tax credit provided in section 12-217kk of
866 the 2008 supplement to the general statutes, production software,
867 postproduction work, postproduction equipment, postproduction
868 software, set design, set construction, props, lighting, wardrobe,
869 makeup, makeup accessories, special effects, visual effects, audio
870 effects, actors, voice talent, film processing, music, sound mixing,
871 editing, location fees, soundstages, rent, utilities, insurance,
872 administrative support, systems support, all reasonably-related
873 expenses in connection with digital animation production activity, and
874 any and all other costs or services directly incurred in the state in
875 connection with a state-certified digital animation production
876 company;

877 (C) Expenditures for distribution, including preproduction,
878 production or postproduction costs relating to the creation of trailers,
879 marketing videos, short films, commercials, point-of-purchase videos
880 and any and all content created on film or digital media, including the
881 duplication of films, videos, CDs, DVDs and any and all digital files
882 now in existence and those yet to be created for mass consumer
883 consumption; the purchase, by a company in the state, of any and all
884 equipment relating to the duplication or mass market distribution of
885 any content created or produced in the state by any digital media
886 format which is now in use and those formats yet to be created for
887 mass consumer consumption; and

888 (D) "Production expenses or costs" does not include the following:
889 (i) Compensation in excess of fifteen million dollars paid to any
890 individual or entity representing an individual, for services provided
891 in a digital animation production activity; (ii) media buys, promotional
892 events or gifts or public relations associated with the promotion or
893 marketing of any digital animation production activity; (iii) deferred,
894 leveraged or profit participation costs relating to any and all personnel

895 associated with any and all aspects of the production, including, but
896 not limited to, producer fees, director fees, talent fees and writer fees;
897 (iv) costs relating to the transfer of the digital animation tax credits;
898 and (v) any amounts paid to persons or businesses as a result of their
899 participation in profits from the exploitation of the digital animation
900 production activity.

901 (b) (1) The Connecticut Commission on Culture and Tourism shall
902 administer a system of tax credit vouchers within the resources,
903 requirements and purposes of this section for digital animation
904 production companies undertaking digital animation production
905 activity in the state. For income years commencing on or after January
906 1, 2007, any state-certified digital animation production company
907 incurring production expenses or costs in excess of fifty thousand
908 dollars shall be eligible for a credit against the tax imposed under
909 chapter 207 or this chapter, equal to thirty per cent of such production
910 expenses or costs.

911 (2) Any credit allowed pursuant to this section may be sold,
912 assigned or otherwise transferred, in whole or in part, to one or more
913 taxpayers, provided no credit, after issuance, may be sold, assigned or
914 otherwise transferred, in whole or in part, more than three times.

915 (3) Any credit allowed pursuant to this section shall be claimed
916 against the tax imposed under chapter 207 or this chapter, for the
917 income year in which the production expenses or costs were incurred,
918 and may be carried forward for the three immediately succeeding
919 income years. Any digital animation tax credit allowed under this
920 section shall be nonrefundable.

921 (4) Any digital animation production company receiving a digital
922 animation tax credit pursuant to this section shall not be eligible to
923 apply for or receive a tax credit pursuant to section 12-217jj of the 2008
924 supplement to the general statutes, as amended by this act.

925 (c) Not more frequently than twice during the income year of a
926 state-certified digital animation production company, such company

927 may apply to the commission for a digital animation tax credit
928 voucher, and shall provide with such application such information and
929 independent certification as the commission may require pertaining to
930 the amount of such company's production expenses or costs incurred
931 during the period for which such application is made. If the
932 commission determines that the company is eligible to be issued a tax
933 credit voucher, the commission shall enter on the voucher the amount
934 of production expenses and costs incurred during the period for which
935 the voucher is issued and the amount of tax credits issued pursuant to
936 such voucher. The commission shall provide a copy of such voucher to
937 the commissioner upon request.

938 (d) If a state-certified digital animation production company sells,
939 assigns or otherwise transfers a credit under this section to another
940 taxpayer, the transferor and transferee shall jointly submit written
941 notification of such transfer to the commission not later than thirty
942 days after such transfer. If such transferee sells, assigns or otherwise
943 transfers a credit under this section to a subsequent transferee, such
944 transferee and such subsequent transferee shall jointly submit written
945 notification of such transfer to the commission not later than thirty
946 days after such transfer. The notification after each transfer shall
947 include the credit voucher number, the date of transfer, the amount of
948 such credit transferred, the tax credit balance before and after the
949 transfer, the tax identification numbers for both the transferor and the
950 transferee, and any other information required by the commission.
951 Failure to comply with this subsection will result in a disallowance of
952 the tax credit until there is full compliance on the part of the transferor
953 and the transferee, and for a second or third transfer, on the part of all
954 subsequent transferors and transferees. The commission shall provide
955 a copy of the notification of assignment to the commissioner upon
956 request.

957 (e) Any state-certified digital animation production company that
958 wilfully submits information to the commission that it knows to be
959 fraudulent or false shall, in addition to any other penalties provided by
960 law, be liable for a penalty equal to the amount of such company's

961 credit entered on the digital animation tax credit certificate issued
962 under this section.

963 (f) The issuance by the commission of a digital animation tax credit
964 voucher with respect to an amount of tax credits stated thereon shall
965 mean that none of such tax credits are subject to a post-certification
966 remedy, and that the commission and the commissioner shall have no
967 right, except in the case of possible material misrepresentation or
968 fraud, to conduct any further or additional review, examination or
969 audit of the expenditures or costs for which such tax credits were
970 issued. If at any time after the issuance of a tax credit voucher the
971 commission or the commissioner determines that there was a material
972 misrepresentation or fraud on the part of a state-certified digital
973 animation production company in connection with the submission of
974 an expense report and the result of such material misrepresentation or
975 fraud was that (1) a specific amount of tax credits was reflected on the
976 tax credit voucher issued in response to such expense report that
977 would not have otherwise been so reflected, and (2) such tax credits
978 would otherwise be subject to a post-certification remedy, such tax
979 credits shall not be subject to any post-certification remedy and the
980 sole and exclusive remedy of the commission and the commissioner
981 shall be to seek collection of the amount of such tax credits from the
982 digital animation production company that committed the fraud or
983 misrepresentation, not from any transferee of the tax credits.

984 (g) The aggregate amount of all tax credits which may be reserved
985 by the commission pursuant to this section shall not exceed fifteen
986 million dollars in any one fiscal year, provided: (1) The aggregate
987 amount of tax credits that may be approved by the commission shall
988 be increased by two million five hundred thousand dollars for the
989 fiscal year ending June 30, 2010, if aggregate qualifying production
990 expenses or costs for said year equal or exceed fifty-nine million
991 dollars; (2) the aggregate amount of tax credits shall be increased by
992 five million dollars for the fiscal year ending June 30, 2011, if aggregate
993 qualifying production expenses or costs for said year equal or exceed
994 sixty-seven million five hundred thousand dollars; (3) the aggregate

995 amount of tax credits shall be increased by seven million five hundred
996 thousand dollars for the fiscal year ending June 30, 2012, if aggregate
997 qualifying production expenses or costs for said year equal or exceed
998 seventy-five million five hundred thousand dollars; and (4) the
999 aggregate amount of tax credits shall be increased by ten million
1000 dollars for each fiscal year ending after June 30, 2012, if aggregate
1001 qualifying production expenses or cost for any such year equal or
1002 exceed eighty-four million five hundred thousand dollars. Not later
1003 than thirty days after the end of any fiscal year for which tax credits
1004 reserved by the commission pursuant to this section exceed fifteen
1005 million dollars, the commission shall submit to the joint standing
1006 committee of the General Assembly having cognizance of matters
1007 relating to commerce and finance, revenue and bonding a report of all
1008 such tax credits reserved in excess of fifteen million dollars, identifying
1009 the taxpayers for which such tax credits were reserved and providing
1010 such additional information regarding such reservation of tax credits
1011 as the committee shall request.

1012 (h) The commission, in consultation with the commissioner, shall
1013 adopt regulations, in accordance with the provisions of chapter 54, as
1014 may be necessary for the administration of this section.

1015 Sec. 10. Subsection (a) of section 12-217jj of the 2008 supplement to
1016 the general statutes is repealed and the following is substituted in lieu
1017 thereof (*Effective July 1, 2008, and applicable to income years commencing*
1018 *on or after January 1, 2008*):

1019 (a) As used in this section:

1020 (1) "Commissioner" means the Commissioner of Revenue Services.

1021 (2) "Commission" means the Connecticut Commission on Culture
1022 and Tourism.

1023 (3) (A) "Qualified production" means entertainment content created
1024 in whole or in part within the state, including motion pictures;
1025 documentaries; long-form, specials, mini-series, series, [sound

1026 recordings,] videos and music videos and interstitial television
1027 programming; interactive television; interactive games; videogames;
1028 commercials; infomercials; any format of digital media, including an
1029 interactive web site, created for distribution or exhibition to the
1030 general public; and any trailer, pilot, video teaser or demo created
1031 primarily to stimulate the sale, marketing, promotion or exploitation of
1032 future investment in either a product or a qualified production via any
1033 means and media in any digital media format, film or videotape,
1034 provided such program meets all the underlying criteria of a qualified
1035 production.

1036 (B) "Qualified production" shall not include any ongoing television
1037 program created primarily as news, weather or financial market
1038 reports, a production featuring current events, sporting events, an
1039 awards show or other gala event, a production whose sole purpose is
1040 fundraising, a long-form production that primarily markets a product
1041 or service, a production used for corporate training or in-house
1042 corporate advertising or other similar productions, or any production
1043 for which records are required to be maintained under 18 USC 2257
1044 with respect to sexually explicit content.

1045 (4) "Eligible production company" means a corporation, partnership,
1046 limited liability company, or other business entity engaged in the
1047 business of producing qualified productions on a one-time or ongoing
1048 basis, and qualified by the Secretary of the State to engage in business
1049 in the state.

1050 (5) "Production expenses or costs" means all expenditures clearly
1051 and demonstrably incurred in the state in the development,
1052 preproduction, production or postproduction costs of a qualified
1053 production, including:

1054 (A) Expenditures incurred in the state in the form of either
1055 compensation or purchases including production work, production
1056 equipment not eligible for the infrastructure tax credit provided in
1057 section 12-217kk of the 2008 supplement to the general statutes,

1058 production software, postproduction work, postproduction
1059 equipment, postproduction software, set design, set construction,
1060 props, lighting, wardrobe, makeup, makeup accessories, special
1061 effects, visual effects, audio effects, film processing, music, sound
1062 mixing, editing, location fees, soundstages and any and all other costs
1063 or services directly incurred in connection with a state-certified
1064 qualified production;

1065 (B) Expenditures for distribution, including preproduction,
1066 production or postproduction costs relating to the creation of trailers,
1067 marketing videos, commercials, point-of-purchase videos and any and
1068 all content created on film or digital media, including the duplication
1069 of films, videos, CDs, DVDs and any and all digital files now in
1070 existence and those yet to be created for mass consumer consumption;
1071 the purchase, by a company in the state, of any and all equipment
1072 relating to the duplication or mass market distribution of any content
1073 created or produced in the state by any digital media format which is
1074 now in use and those formats yet to be created for mass consumer
1075 consumption; and

1076 (C) "Production expenses or costs" does not include the following:
1077 (i) On and after January 1, 2008, compensation in excess of fifteen
1078 million dollars paid to any individual or entity representing an
1079 individual, for services provided in the production of a qualified
1080 production; (ii) media buys, promotional events or gifts or public
1081 relations associated with the promotion or marketing of any qualified
1082 production; (iii) deferred, leveraged or profit participation costs
1083 relating to any and all personnel associated with any and all aspects of
1084 the production, including, but not limited to, producer fees, director
1085 fees, talent fees and writer fees; (iv) costs relating to the transfer of the
1086 production tax credits; and (v) any amounts paid to persons or
1087 businesses as a result of their participation in profits from the
1088 exploitation of the qualified production.

1089 [(6) "Sound recording" means a recording of music, poetry or
1090 spoken-word performance, but does not include the audio portions of

1091 dialogue or words spoken and recorded as part of a motion picture,
1092 video, theatrical production, television news coverage or athletic
1093 event.]

1094 [(7)] (6) "State-certified qualified production" means a qualified
1095 production produced by an eligible production company that (A) is in
1096 compliance with regulations adopted pursuant to subsection (g) of this
1097 section, (B) is authorized to conduct business in this state, and (C) has
1098 been approved by the commission as qualifying for a production tax
1099 credit under this section.

1100 [(8)] (7) "Interactive web site" means a web site, the production costs
1101 of which (A) exceed five hundred thousand dollars per income year,
1102 and (B) is primarily (i) interactive games or end user applications, or
1103 (ii) animation, simulation, sound, graphics, story lines or video created
1104 or repurposed for distribution over the Internet. An interactive web
1105 site does not include a web site primarily used for institutional,
1106 private, industrial, retail or wholesale marketing or promotional
1107 purposes, or which contains obscene content.

1108 [(9)] (8) "Post-certification remedy" means the recapture,
1109 disallowance, recovery, reduction, repayment, forfeiture,
1110 decertification or any other remedy that would have the effect of
1111 reducing or otherwise limiting the use of a tax credit provided by this
1112 section.

1113 Sec. 11. (*Effective July 1, 2008*) The sum of one million dollars is
1114 appropriated to The University of Connecticut, from the General Fund,
1115 for the fiscal year ending June 30, 2009, for the purpose of planning
1116 and developing a digital media program.

1117 Sec. 12. (*Effective July 1, 2008*) The sum of five hundred thousand
1118 dollars is appropriated to The University of Connecticut, from the
1119 General Fund, for the fiscal year ending June 30, 2009, for the purpose
1120 of purchasing equipment and software for a digital media program.

1121 Sec. 13. (*Effective July 1, 2008*) The sum of one million two hundred

1122 fifty thousand dollars is appropriated to the Department of Economic
 1123 and Community Development, from the General Fund, for the fiscal
 1124 year ending June 30, 2009, for the purpose of providing funds enabling
 1125 the Office of Workforce Competitiveness to implement the program
 1126 established pursuant to section 5 of this act, provided not more than
 1127 one million dollars shall be used for the three-phase program, and not
 1128 more than two hundred fifty thousand dollars shall be used for the
 1129 digital media training program.

1130 Sec. 14. (*Effective July 1, 2008*) The sum of five hundred thousand
 1131 dollars is appropriated to the film industry training account
 1132 established pursuant to section 7 of this act, from the General Fund, for
 1133 the fiscal year ending June 30, 2009.

1134 Sec. 15. (*Effective from passage*) The unexpended balance of funds in
 1135 the amount of one million seven hundred fifty thousand dollars,
 1136 appropriated to the Office of Workforce Competitiveness in public act
 1137 07-1 of the June special session, for the film industry training program,
 1138 shall not lapse on June 30, 2008, and such funds shall continue to be
 1139 available for expenditure for such purpose during the fiscal year
 1140 ending June 30, 2009."

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2008, and applicable to income years commencing on or after January 1, 2008</i>	New section
Sec. 2	<i>July 1, 2008, and applicable to income years commencing on or after January 1, 2008</i>	New section
Sec. 3	<i>from passage</i>	10-417
Sec. 4	<i>July 1, 2008</i>	New section
Sec. 5	<i>July 1, 2008</i>	New section
Sec. 6	<i>July 1, 2008</i>	New section
Sec. 7	<i>July 1, 2008</i>	New section

Sec. 8	<i>July 1, 2008</i>	32-1m
Sec. 9	<i>July 1, 2008</i>	12-217ll
Sec. 10	<i>July 1, 2008, and applicable to income years commencing on or after January 1, 2008</i>	12-217jj(a)
Sec. 11	<i>July 1, 2008</i>	New section
Sec. 12	<i>July 1, 2008</i>	New section
Sec. 13	<i>July 1, 2008</i>	New section
Sec. 14	<i>July 1, 2008</i>	New section
Sec. 15	<i>from passage</i>	New section