



General Assembly

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**Amendment**

LCO No. 5728

**\*HB0584305728HDO\***

Offered by:

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

REP. STAPLES, 96<sup>th</sup> Dist.  
REP. TALLARITA, 58<sup>th</sup> Dist.  
REP. WILLIS, 64<sup>th</sup> Dist.  
SEN. LEBEAU, 3<sup>rd</sup> Dist.  
SEN. HARTLEY, 15<sup>th</sup> 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 (f) 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 said entity ever declared bankruptcy under which an  
202 obligation of the entity to pay or repay public funds was discharged as  
203 a part of such bankruptcy, and (D) has been approved by the  
204 commission as qualifying for a sound recording infrastructure tax

205 credit under this 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 If the total amount of credits applied for in one fiscal year exceeds said

236 five-million-dollar limit, the commission may treat such excess amount  
237 as having been applied for on the first day of the subsequent fiscal  
238 year.

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

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

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

267 (d) If a taxpayer sells, assigns or otherwise transfers a credit under

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

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

302 (f) The commission, in consultation with the commissioner, shall  
303 adopt regulations, in accordance with the provisions of chapter 54 of  
304 the general statutes, as may be necessary for the administration of this  
305 section.

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

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

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

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

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

322 (4) To develop and update a production manual of available digital  
323 media and motion picture production facilities and services in the  
324 state;

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

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

332 (7) To formulate and propose guidelines for state agencies for a "one  
333 stop permitting" process for matters including, but not limited to, the  
334 use of state roads and highways, the use of state-owned real or  
335 personal property for production activities and the conduct of  
336 regulated activities, and to hold workshops to assist state agencies in  
337 implementing such process;

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

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

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

350 (11) To assist and promote cooperation among all segments of  
351 management and labor that are engaged in digital media and motion  
352 pictures;

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

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

363 credit programs.

364 (2) On or before January 15, 2008, and biennially thereafter, the  
365 commission shall submit to the General Assembly, in accordance with  
366 section 11-4a, a report on the activities of the commission under this  
367 section and the estimated direct and indirect economic impact of all  
368 digital media, motion pictures and related production activity in the  
369 state, during the preceding calendar years. Each such report shall also  
370 include an analysis of the impact on the state of each qualified  
371 production, as defined in section 12-217jj of the 2008 supplement to the  
372 general statutes, as amended by this act.

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

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

384 (2) Encourage membership in film industry unions by informing  
385 residents about the union membership process, and encouraging  
386 residents to use the application, examination and selection processes of  
387 each union.

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

395 postproduction, animation, gaming technology, special effects and  
396 computer graphics.

397 (b) On or before January 1, 2009, and annually thereafter, the  
398 Commission on Culture and Tourism, in collaboration with the Office  
399 of Workforce Competitiveness, shall submit a report, in accordance  
400 with the provisions of section 11-4a of the general statutes, to the joint  
401 standing committees of the General Assembly having cognizance of  
402 matters relating to commerce, finance, revenue and bonding and  
403 higher education, regarding actions taken to implement subsection (a)  
404 of this section.

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

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

422 (1) The first phase course shall be an introduction to the various  
423 production departments within the industry, such as: (A) Production  
424 management and direction, (B) location management, (C) production  
425 office coordination, (D) budget, accounting and payroll, (E) script  
426 supervision, (F) camera, (G) sound, (H) property, (I) set decoration and

427 set dressing, (J) set construction and scenic art, (K) lighting, (L) grip,  
428 (M) costume and wardrobe, (N) hair and make-up, (O) special effects,  
429 (P) visual effects, (Q) post production, and (R) extras casting. The first  
430 phase course shall provide an overview of motion picture production,  
431 set etiquette and operations, and the various positions on the set, as  
432 well as providing insight into the work of a free-lance production  
433 crewperson.

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

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

457 (c) (1) The training program for the digital media industry may be  
458 made available at middle schools and high schools, including the  
459 vocational-technical high schools, and, based on articulation

460 agreements, at two and four-year institutions of higher education. The  
461 Office of Workforce Competitiveness, in consultation with the  
462 Department of Education, shall establish a digital media and movie  
463 making course to develop and enhance academic skills, creative  
464 thinking, digital media literacy and film making skills, while  
465 increasing students' knowledge of film making careers through the  
466 completion of a digital film project. The project shall be comprehensive  
467 and standards-based, and shall include research, story development,  
468 script writing, computer-assisted design, computer animation, digital  
469 audio, digital photography and digital video production. Students  
470 shall organize movie production teams and assume positions on the  
471 team to complete their digital film project.

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

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

494 section.

495 (e) The Office of Workforce Competitiveness, in cooperation with  
496 the Department of Economic and Community Development, shall  
497 submit a report, in accordance with section 11-4a of the general  
498 statutes, to the joint standing committees of the General Assembly  
499 having cognizance of matters relating to commerce and higher  
500 education and employment advancement, on or before March 15, 2009.  
501 Such report shall include information on the implementation of the  
502 programs established pursuant to this section, an evaluation of  
503 available resources for such programs, and any recommendations for  
504 changes.

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

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

527 Sec. 8. Section 32-1m of the 2008 supplement to the general statutes  
528 is repealed and the following is substituted in lieu thereof (*Effective July*  
529 *1, 2008*):

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

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

543 (A) Connecticut employment by industry;

544 (B) Connecticut and national average unemployment;

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

546 (D) Connecticut productivity, by industry, compared to the national  
547 average;

548 (E) Connecticut manufacturing activity;

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

552 (G) Any other economic information that the commissioner deems  
553 appropriate.

554 (2) A statement of the department's economic and community

555 development objectives, measures of program success and standards  
556 for granting financial and nonfinancial assistance under programs  
557 administered by the department.

558 (3) An analysis of the economic development portfolio of the  
559 department, including:

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

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

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

583 (D) An investment analysis, including (i) total portfolio value, (ii)  
584 total investment by industry, (iii) portfolio dollar per job average, (iv)  
585 portfolio leverage ratio, and (v) percentage of financial assistance  
586 which was provided to high performance work organizations in the

587 preceding state fiscal year; and

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

600 (4) An analysis of the community development portfolio of the  
601 department, including:

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

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

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

616 (D) An analysis of the estimated economic effects of the  
617 department's economic development investments on the state's

618 economy, including (i) contribution to gross state product for the total  
619 portfolio and for any investment activity occurring in the preceding  
620 state fiscal year, (ii) direct and indirect employment created by the  
621 investments for the total portfolio and for any investment activity  
622 occurring in the preceding state fiscal year, (iii) productivity of  
623 recipients of financial assistance as a result of the department's  
624 investment occurring in the preceding state fiscal year, (iv) directly or  
625 indirectly increased property values in the municipalities in which the  
626 recipients are located, and (v) personal income.

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

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

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

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

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

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

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

682 (9) The following information concerning enterprise zones

683 designated under section 32-70:

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

685 (B) A statement of the current performance standards to measure  
686 the progress of municipalities that have enterprise zones in attaining  
687 the goals for such zones;

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

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

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

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

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

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

709 (D) A list of municipalities that meet the affordable housing criteria  
710 set forth in subsection (k) of section 8-30g, pursuant to regulations that  
711 the Commissioner of Economic and Community Development shall

712 adopt pursuant to the provisions of chapter 54. For the purpose of  
713 determining the percentage required by subsection (k) of said section  
714 8-30g, the commissioner shall use as the denominator the number of  
715 dwelling units in the municipality, as reported in the most recent  
716 United States decennial census; and

717 (E) A statement of the department's housing development  
718 objectives, measures of program success and standards for granting  
719 financial and nonfinancial assistance under programs administered by  
720 said commissioner.

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

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

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

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

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

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

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

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

777 (B) The direct and indirect employment created by the investments  
778 for the total housing development portfolio and for any investment  
779 activity for such portfolio occurring in the preceding state fiscal year;  
780 and

781 (C) Personal income in the state.

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

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

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

788 (15) With regard to the department's energy conservation loan  
789 program:

790 (A) The number of loans or deferred loans made during the  
791 preceding fiscal year under each component of such program and the  
792 total amount of the loans or deferred loans made during such fiscal  
793 year under each such component;

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

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

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

800 (E) The total administrative expenses of such program for such  
801 fiscal year.

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

803 (A) An analysis of activities undertaken by the department to

804 support the growth of such industry;

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

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

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

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

818 Sec. 9. Section 12-217ll of the 2008 supplement to the general statutes  
819 is repealed and the following is substituted in lieu thereof (*Effective July*  
820 *1, 2008*):

821 (a) As used in this section:

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

823 (2) "Commission" means the Connecticut Commission on Culture  
824 and Tourism.

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

830 (4) "State-certified digital animation production company" means a  
831 digital animation production company that (A) maintains studio

832 facilities located within the state at which digital animation production  
833 activities are conducted, (B) employs at least two hundred full-time  
834 employees within the state, (C) is in compliance with regulations  
835 adopted pursuant to subsection (h) of this section, and (D) has been  
836 certified by the commission.

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

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

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

850 (8) "Production expenses or costs" means all expenditures clearly  
851 and demonstrably incurred in the state in the development,  
852 preproduction, production or postproduction costs of a digital  
853 animation production activity, including:

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

864 participation or recourse or nonrecourse loans which the digital  
865 animation production company may negotiate in order to obtain the  
866 rights to the intellectual property;

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

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

892 (D) "Production expenses or costs" does not include the following:  
893 (i) Compensation in excess of fifteen million dollars paid to any  
894 individual or entity representing an individual, for services provided  
895 in a digital animation production activity; (ii) media buys, promotional  
896 events or gifts or public relations associated with the promotion or

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

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

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

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

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

929 (c) Not more frequently than twice during the income year of a  
930 state-certified digital animation production company, such company  
931 may apply to the commission for a digital animation tax credit  
932 voucher, and shall provide with such application such information and  
933 independent certification as the commission may require pertaining to  
934 the amount of such company's production expenses or costs incurred  
935 during the period for which such application is made. If the  
936 commission determines that the company is eligible to be issued a tax  
937 credit voucher, the commission shall enter on the voucher the amount  
938 of production expenses and costs incurred during the period for which  
939 the voucher is issued and the amount of tax credits issued pursuant to  
940 such voucher. The commission shall provide a copy of such voucher to  
941 the commissioner upon request.

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

961 (e) Any state-certified digital animation production company that  
962 wilfully submits information to the commission that it knows to be

963 fraudulent or false shall, in addition to any other penalties provided by  
964 law, be liable for a penalty equal to the amount of such company's  
965 credit entered on the digital animation tax credit certificate issued  
966 under this section.

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

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

997 year ending June 30, 2011, if aggregate qualifying production expenses  
998 or costs for said year equal or exceed sixty-seven million five hundred  
999 thousand dollars; (3) an additional amount of tax credits equal to two  
1000 million five hundred thousand dollars shall be made available for the  
1001 fiscal year ending June 30, 2012, if aggregate qualifying production  
1002 expenses or costs for said year equal or exceed seventy-five million  
1003 five hundred thousand dollars; and (4) an additional amount of tax  
1004 credits equal to two million five hundred thousand dollars shall be  
1005 made available for each fiscal year ending after June 30, 2013, if  
1006 aggregate qualifying production expenses or cost for any such year  
1007 equal or exceed eighty-four million five hundred thousand dollars.  
1008 Not later than thirty days after the end of any fiscal year for which tax  
1009 credits reserved by the commission pursuant to this section exceed  
1010 fifteen million dollars, the commission shall submit to the joint  
1011 standing committee of the General Assembly having cognizance of  
1012 matters relating to commerce and finance, revenue and bonding a  
1013 report of all such tax credits reserved in excess of fifteen million  
1014 dollars, identifying the taxpayers for which such tax credits were  
1015 reserved and providing such additional information regarding such  
1016 reservation of tax credits as the committee shall request.

1017 (h) The commission, in consultation with the commissioner, shall  
1018 adopt regulations, in accordance with the provisions of chapter 54, as  
1019 may be necessary for the administration of this section.

1020 Sec. 10. Subsection (a) of section 12-217jj of the 2008 supplement to  
1021 the general statutes is repealed and the following is substituted in lieu  
1022 thereof (*Effective July 1, 2008, and applicable to income years commencing*  
1023 *on or after January 1, 2008*):

1024 (a) As used in this section:

1025 (1) "Commissioner" means the Commissioner of Revenue Services.

1026 (2) "Commission" means the Connecticut Commission on Culture  
1027 and Tourism.

1028 (3) (A) "Qualified production" means entertainment content created  
1029 in whole or in part within the state, including motion pictures;  
1030 documentaries; long-form, specials, mini-series, series, [sound  
1031 recordings,] videos and music videos and interstitials television  
1032 programming; interactive television; interactive games; videogames;  
1033 commercials; infomercials; any format of digital media, including an  
1034 interactive web site, created for distribution or exhibition to the  
1035 general public; and any trailer, pilot, video teaser or demo created  
1036 primarily to stimulate the sale, marketing, promotion or exploitation of  
1037 future investment in either a product or a qualified production via any  
1038 means and media in any digital media format, film or videotape,  
1039 provided such program meets all the underlying criteria of a qualified  
1040 production.

1041 (B) "Qualified production" shall not include any ongoing television  
1042 program created primarily as news, weather or financial market  
1043 reports, a production featuring current events, sporting events, an  
1044 awards show or other gala event, a production whose sole purpose is  
1045 fundraising, a long-form production that primarily markets a product  
1046 or service, a production used for corporate training or in-house  
1047 corporate advertising or other similar productions, or any production  
1048 for which records are required to be maintained under 18 USC 2257  
1049 with respect to sexually explicit content.

1050 (4) "Eligible production company" means a corporation, partnership,  
1051 limited liability company, or other business entity engaged in the  
1052 business of producing qualified productions on a one-time or ongoing  
1053 basis, and qualified by the Secretary of the State to engage in business  
1054 in the state.

1055 (5) "Production expenses or costs" means all expenditures clearly  
1056 and demonstrably incurred in the state in the development,  
1057 preproduction, production or postproduction costs of a qualified  
1058 production, including:

1059 (A) Expenditures incurred in the state in the form of either

1060 compensation or purchases including production work, production  
1061 equipment not eligible for the infrastructure tax credit provided in  
1062 section 12-217kk of the 2008 supplement to the general statutes,  
1063 production software, postproduction work, postproduction  
1064 equipment, postproduction software, set design, set construction,  
1065 props, lighting, wardrobe, makeup, makeup accessories, special  
1066 effects, visual effects, audio effects, film processing, music, sound  
1067 mixing, editing, location fees, soundstages and any and all other costs  
1068 or services directly incurred in connection with a state-certified  
1069 qualified production;

1070 (B) Expenditures for distribution, including preproduction,  
1071 production or postproduction costs relating to the creation of trailers,  
1072 marketing videos, commercials, point-of-purchase videos and any and  
1073 all content created on film or digital media, including the duplication  
1074 of films, videos, CDs, DVDs and any and all digital files now in  
1075 existence and those yet to be created for mass consumer consumption;  
1076 the purchase, by a company in the state, of any and all equipment  
1077 relating to the duplication or mass market distribution of any content  
1078 created or produced in the state by any digital media format which is  
1079 now in use and those formats yet to be created for mass consumer  
1080 consumption; and

1081 (C) "Production expenses or costs" does not include the following:  
1082 (i) On and after January 1, 2008, compensation in excess of fifteen  
1083 million dollars paid to any individual or entity representing an  
1084 individual, for services provided in the production of a qualified  
1085 production; (ii) media buys, promotional events or gifts or public  
1086 relations associated with the promotion or marketing of any qualified  
1087 production; (iii) deferred, leveraged or profit participation costs  
1088 relating to any and all personnel associated with any and all aspects of  
1089 the production, including, but not limited to, producer fees, director  
1090 fees, talent fees and writer fees; (iv) costs relating to the transfer of the  
1091 production tax credits; and (v) any amounts paid to persons or  
1092 businesses as a result of their participation in profits from the  
1093 exploitation of the qualified production.

1094 [(6) "Sound recording" means a recording of music, poetry or  
 1095 spoken-word performance, but does not include the audio portions of  
 1096 dialogue or words spoken and recorded as part of a motion picture,  
 1097 video, theatrical production, television news coverage or athletic  
 1098 event.]

1099 [(7)] (6) "State-certified qualified production" means a qualified  
 1100 production produced by an eligible production company that (A) is in  
 1101 compliance with regulations adopted pursuant to subsection (g) of this  
 1102 section, (B) is authorized to conduct business in this state, and (C) has  
 1103 been approved by the commission as qualifying for a production tax  
 1104 credit under this section.

1105 [(8)] (7) "Interactive web site" means a web site, the production costs  
 1106 of which (A) exceed five hundred thousand dollars per income year,  
 1107 and (B) is primarily (i) interactive games or end user applications, or  
 1108 (ii) animation, simulation, sound, graphics, story lines or video created  
 1109 or repurposed for distribution over the Internet. An interactive web  
 1110 site does not include a web site primarily used for institutional,  
 1111 private, industrial, retail or wholesale marketing or promotional  
 1112 purposes, or which contains obscene content.

1113 [(9)] (8) "Post-certification remedy" means the recapture,  
 1114 disallowance, recovery, reduction, repayment, forfeiture,  
 1115 decertification or any other remedy that would have the effect of  
 1116 reducing or otherwise limiting the use of a tax credit provided by this  
 1117 section."

|   |  |             |
|---|--|-------------|
| 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) |