

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 4094

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 16, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 4094, with committee amendments.

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

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

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

The bill also extends the diversity bonus tax credit program’s duration from 2028 to 2034, allows it to apply against gross income tax, and allow a bonus credit if the diversity plan outlines goals that include hiring performers who are members of ethnic minority groups that are underrepresented in film or digital media productions, residents the municipality where filming occurs, and members of a labor union representing film and television performers.

Additionally, the bill revises the definition of “New Jersey film-lease partner.” Under current law, the term includes taxpayers who

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

COMMITTEE AMENDMENTS:

The committee amended the bill to:

(1) allow an additional \$100 million in tax credits to be annually made available to New Jersey film-lease partners beginning in Fiscal Year 2025, which credits would be distributed from funds otherwise set aside for New Jersey studio partners;

(2) remove a provision allowing the authority to approve applications for excess tax credits during the year in which such applications were submitted, provided that the amount of excess credits would be subtracted from the amounts otherwise available in the next succeeding fiscal years

(3) change the treatment of excess credit applications in a fiscal year and allowing the authority to reallocate unused credits among the categories of New Jersey studio partners, New Jersey film-lease partners, or taxpayers other than New Jersey studio partners and New Jersey film-lease partners;

(4) expand the definition of "New Jersey studio partner" to no longer require that a production company commit to a transformative project;

(5) restrict the definition of "qualified film production expenses" for a New Jersey film-lease partner to no longer include amounts in excess of \$500,000 to highly compensated individuals;

(6) extend the diversity bonus tax credit program's duration from 2028 to 2034, allow it to apply against gross income tax, and allow a bonus credit if the diversity plan outlines goals that include hiring performers who are members of ethnic minority groups that are underrepresented in film or digital media productions, residents the municipality where filming occurs, and members of a labor union representing film and television performers; and

(7) make technical corrections.

FISCAL IMPACT:

The OLS notes that increasing the cumulative annual tax credit award limit on digital media content production tax credits from \$10 million to \$30 million could reduce revenues by as much as \$20 million annually. This revenue loss would occur throughout the

lifetime of the film and digital media content production tax credit program, which is slated to conclude at the end of FY 2034.

The bill also increases the percentage of qualified digital media content production expenses that may be claimed by a taxpayer for a tax credit award and allows for up to \$15 million in payments made to certain highly compensated individuals to be claimed as qualified film production expenses. Beginning in FY 2025, the bill allows an additional \$100 million in tax credits for New Jersey film-lease partners from funds otherwise set aside for New Jersey studio partners. The bill extends the diversity bonus tax credit program's duration from FY 2028 to FY 2034, allows it to apply against gross income tax, and allows a bonus credit if the diversity plan outlines certain goals. These changes may result in more generous award amounts and further utilization of annual tax credit program caps than otherwise would have occurred absent the bill's additional incentive awards and program extensions.