

1 SENATE BILL NO. 14  
2 INTRODUCED BY G. HERTZ  
3 BY REQUEST OF THE REVENUE INTERIM COMMITTEE  
4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE MONTANA ECONOMIC DEVELOPMENT  
6 INDUSTRY ADVANCEMENT ACT; INCREASING THE LIMIT ON MONTANA ECONOMIC DEVELOPMENT  
7 INDUSTRY ADVANCEMENT ACT FILM TAX CREDITS; ALLOCATING THE CREDIT TO CERTAIN ENTITIES;  
8 PROVIDING A DEFINITION; AMENDING SECTION SECTIONS 15-31-1003, 15-31-1004, AND 15-31-1010,  
9 MCA; REPEALING SECTIONS 1 THROUGH 9, CHAPTER 509, LAWS OF 2021; AND PROVIDING AN  
10 IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

11  
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13  
14 **SECTION 1. SECTION 15-31-1003, MCA, IS AMENDED TO READ:**

15 **"15-31-1003. Definitions.** As used in this part, unless the context requires otherwise, the following  
16 definitions apply:

17 (1) "Affiliate" means a subsidiary of which more than 50% of the voting stock is owned directly by the  
18 parent corporation or another member of the Montana combined group.

19 (2) "Base investment" means the amount expended by a production company as production  
20 expenditures and compensation incurred in this state that are directly used in a state-certified production.

21 (3) (a) "Compensation" means Montana wages, salaries, commissions, payments to a loan-out  
22 company subject to the provisions of subsection (3)(c), union benefits, fringe benefits, and any other form of  
23 remuneration paid to employees for personal services performed in this state.

24 (b) The term does not include compensation paid that is less than the minimum wage described in 39-  
25 3-409.

26 (c) The term includes payments to a loan-out company by a production company if the production  
27 company withheld and remitted Montana income tax at the rate of 6.9% on all payments to the loan-out  
28 company for services performed in this state. The amount withheld is considered to have been withheld by the

1 loan-out company on wages paid to its employees for services performed in this state. The amounts withheld  
 2 must be allocated to the loan-out company's employees based on the payments made to the loan-out  
 3 company's employees for services performed in Montana. For purposes of this chapter, loan-out company  
 4 nonresident employees performing services in this state must be considered taxable nonresidents and the loan-  
 5 out company is subject to income taxation in the tax year in which the loan-out company's employees perform  
 6 services in this state, notwithstanding any other provisions of Title 15. The withholding liability is subject to  
 7 penalties and interest as provided in 15-1-216.

8 (d) With respect to a single crew member or production staff member, excluding an actor, director,  
 9 producer, or writer, the portion of any compensation that exceeds \$500,000 for a single production is not  
 10 included when calculating the base investment.

11 (e) All payments to a single employee and any legal entity in which the employee has any direct or  
 12 indirect ownership interest are considered as having been paid to the employee and must be aggregated  
 13 regardless of the means of payment or distribution.

14 (4) "Game platform" means the electronic delivery system used to launch or play an interactive game.

15 ~~(5) "Domiciled company" means a corporation incorporated in the state or a partnership, limited~~  
 16 ~~liability company, or other business entity subject to tax under Title 15, chapter 30 or 31, and domiciled and~~  
 17 ~~headquartered in the state for a minimum of 1 year for the purpose of performing qualified production activities~~  
 18 ~~or qualified postproduction activities or producing a nationally or internationally distributed qualified production.~~

19 ~~(5)(6)(5)~~ "Game sequel" means an interactive game that builds on the theme of a previously released  
 20 interactive game, is distinguished by a new title, and features objectives or characters that are recognizably  
 21 different from those in the original game.

22 ~~(6)(7)(6)~~ (a) "Loan-out company" means a personal service company contracted with and retained by  
 23 a production company to provide individual personnel who are not employees of the production company,  
 24 including actors, directors, producers, writers, production designers, production managers, costume designers,  
 25 directors of photography, editors, casting directors, first assistant directors, second unit directors, stunt  
 26 coordinators, and similar personnel, for performance of services used directly in a qualified production activity.

27 (b) The term does not include persons retained by a production company to provide tangible property  
 28 or outside independent contractor services, such as catering, construction, trailers, equipment, and

1 transportation.

2 ~~(7)~~~~(8)~~~~(7)~~ "Multimarket commercial distribution" means paid commercial distribution that extends to  
3 markets outside the state.

4 ~~(8)~~~~(9)~~~~(8)~~ (a) "Postproduction company" means a company that:

5 (i) maintains a business location physically located in this state;

6 (ii) is engaged in qualified postproduction activities;

7 (iii) meets the requirements of 15-31-1005(4) in the tax year for which the postproduction company  
8 claims the tax credit provided for in 15-31-1009; and

9 (iv) has been approved by the department of commerce to claim the credit provided for in 15-31-1009.

10 (b) The term does not include any form of business owned, affiliated, or controlled, in whole or in part,  
11 by a company or person that is in default on a tax obligation of the state, a loan made by the state, or a loan  
12 guaranteed by the state.

13 ~~(9)~~~~(10)~~~~(9)~~ "Prereleased interactive game" means a new game, the offering of an existing game on a  
14 new game platform, or a game sequel that is in the developmental stages of production and that may be  
15 available to individuals for testing purposes but is not generally made available or distributed to consumers or to  
16 the general public.

17 ~~(10)~~~~(11)~~~~(10)~~ (a) "Production company" means a company primarily engaged in qualified production  
18 activities that have been approved by the department of commerce.

19 (b) The term does not include any form of business owned, affiliated, or controlled, in whole or in part,  
20 by a company or person that is in default on a tax obligation of the state, a loan made by the state, or a loan  
21 guaranteed by the state.

22 ~~(11)~~~~(12)~~~~(11)~~ (a) "Production expenditure" means a preproduction or production expenditure incurred in  
23 Montana that is directly used for a qualified production activity including:

24 (i) set construction and operation;

25 (ii) wardrobes, makeup, accessories, and related services;

26 (iii) costs associated with photography and sound synchronization expenditures, excluding license  
27 fees, incurred with Montana companies for sound recordings and musical compositions, lighting, or related  
28 services and materials;

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- 1 (iv) editing and related services;
- 2 (v) rental of facilities and equipment;
- 3 (vi) leasing of vehicles, whether to be photographed or to transport people, equipment, or materials;
- 4 (vii) lodging costs, including hotel rooms and private housing rentals paid for by the production
- 5 company;
- 6 (viii) per diem and living allowance paid to staff, cast, and crew members;
- 7 (ix) digital, film, or tape editing, film processing, transfers of film to tape or digital format, sound mixing,
- 8 computer graphics services, special effects services, visual effects services, and animation services;
- 9 (x) airfare, if purchased through a Montana travel agency or travel company;
- 10 (xi) insurance costs and bonding, if purchased through a Montana insurance agency; and
- 11 (xii) other direct costs of producing the project in accordance with generally accepted entertainment
- 12 industry practices and generally accepted accounting principles.

13 (b) The term does not include:

- 14 (i) compensation, which qualifies for the credit provided for in 15-31-1007(3)(b)(i) through (3)(b)(iv);
- 15 (ii) production expenditures for footage shot outside the state;
- 16 (iii) marketing;
- 17 (iv) story rights;
- 18 (v) distribution; or
- 19 (vi) postproduction expenditures.

20 (12) "Qualified Montana facility" means a purpose-built clear-span media manufacturing facility of  
21 10,000 or more square feet and measuring at least 45 feet from floor to truss, constructed in the state on or  
22 after January 1, 2023, at a minimum initial development cost of \$20 million for the primary purpose of engaging  
23 in the development of qualified production or postproduction activities and that is subject to tax under Title 15,  
24 chapter 30 or 31.

25 ~~(12)~~(13) "Qualified Montana promotion" means a promotion of this state approved by the department  
26 of commerce and consisting of:

- 27 (a) a qualified movie production that includes a 5-second static or animated logo that promotes
- 28 Montana in the end credits for the life of the project and that includes a link to the official state of Montana

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1 website on the project's website;

2 (b) a qualified television production that includes an embedded 5-second Montana promotion during  
3 each broadcast worldwide for the life of the project and that includes a link to the official state of Montana  
4 website on the project's website;

5 (c) a qualified music video that includes the Montana logo at the end of each video and within online  
6 promotions;

7 (d) a qualified interactive game that includes a 15-second Montana advertisement in units sold and  
8 embedded in online promotions; or

9 (e) a qualified television special or sports event for which the network provides complimentary  
10 placement of two 30-second spots per 30 minutes of qualifying television special or sports event programming  
11 promoting Montana destinations and provided by the department of commerce as provided for in 15-31-  
12 1004(7).

13 ~~(13)~~(14) "Qualified postproduction activity" means an activity performed in this state on a qualified  
14 production employing traditional, emerging, and new workflow techniques used in postproduction for picture,  
15 sound, and music editing, rerecording and mixing, visual effects, graphic design, original scoring, animation,  
16 musical composition, and other activities performed after initial production and including activities performed on  
17 previously produced and edited content.

18 ~~(14)~~(15) "Qualified postproduction wage" means wages incurred in this state directly in qualified  
19 postproduction activities for footage shot inside or outside this state.

20 ~~(15)~~(16) (a) "Qualified production" means a new film, video, or digital project including only feature  
21 films, series for theaters, television, or streaming, pilots, movies and scripted shows made for television or  
22 streaming, televised commercial advertisements, music videos, corporate videos, industrial films, production for  
23 website creation, television specials, sports events, video games, interactive entertainment, prereleased  
24 interactive games, and sound recording projects used in a feature film, series, pilot, or movie for television.

25 (b) The term includes projects shot, recorded, or originally created in short or long form, animation,  
26 and music, fixed on a delivery system, including film, videotape, computer disc, laser disc, and any element of  
27 the digital domain, from which the program is viewed or reproduced and which is intended for multimarket  
28 commercial distribution via a theater, video on demand, digital or fiber optic distribution platforms, digital video

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1 recording, a digital platform designed for distribution of interactive games, licensing for exhibition by individual  
2 television stations, groups of stations, networks, advertiser-supported sites, cable television stations, streaming  
3 services, or public broadcasting stations.

4 (c) The term does not include the coverage of news, local interest programming, instructional videos,  
5 commercials distributed only on the internet, infomercials, solicitation-based productions, nonscripted television  
6 programs, feature films consisting primarily of stock footage not originally recorded in Montana, or projects  
7 containing obscenity as defined in 45-8-201(2).

8 ~~(16)~~(17) (a) "Qualified production activity" means the production of a new film, video, or digital project  
9 in this state and approved by the department of commerce, including only feature films, series for theaters,  
10 television, or streaming, pilots, movies and scripted shows made for television or streaming, televised  
11 commercial advertisements, music videos, corporate videos, industrial films, production for website creation,  
12 television specials, sports events, video games, interactive entertainment, prereleased interactive games, and  
13 sound recording projects used in a feature film, series, pilot, or movie for television.

14 (b) The term includes the production of projects filmed or recorded in this state, in whole or in part and  
15 in short or long form, animation and music, fixed on a delivery system, including film, videotape, computer disc,  
16 laser disc, and any element of the digital domain, from which the program is viewed or reproduced and which is  
17 intended for multimarket commercial distribution via a theater, video on demand, digital or fiber optic distribution  
18 platforms, digital video recording, a digital platform designed for distribution of interactive games, licensing for  
19 exhibition by individual television stations, groups of stations, networks, advertiser-supported sites, cable  
20 television stations, streaming services, or public broadcasting stations.

21 (c) The term does not include the coverage of news, local interest programming, instructional videos,  
22 commercials distributed only on the internet, infomercials, solicitation-based productions, nonscripted television  
23 programs, or feature films consisting primarily of stock footage not originally recorded in Montana, projects  
24 containing obscenity as defined in 45-8-201(2), or projects not shot, recorded, or originally created in Montana.

25 ~~(17)~~(18) "Resident" has the meaning provided in 15-30-2101.

26 ~~(18)~~(19) "State-certified production" means a production engaged in qualified production activities and  
27 certified by the department of commerce as provided in 15-31-1004.

28 ~~(19)~~(20) "Underserved area" means a county in this state in which 14% or more people of all ages are

1 in poverty as determined by the U.S. bureau of the census estimates for the most current year available."

2

3 **SECTION 2. SECTION 15-31-1004, MCA, IS AMENDED TO READ:**

4 **"15-31-1004. Application for state certification.** (1) (a) A production company may not receive the  
5 tax credit provided for in 15-31-1007 unless the production has been certified by the department of commerce  
6 as provided in this section.

7 (b) A postproduction company may not receive the tax credit provided for in 15-31-1009 unless the  
8 postproduction company has been certified by the department of commerce. The postproduction company shall  
9 submit an application that includes the information provided for in subsection (2)(a) for the postproduction  
10 company. The application must be submitted in the year in which the postproduction plans to claim the credit  
11 and must be accompanied by a \$500 application fee. For the purposes of allocating the credit pursuant to 15-  
12 31-1010, the application must contain an estimate of the amount of credit the postproduction company will  
13 claim. A postproduction company that plans to claim the credit in more than 1 tax year must apply for the credit  
14 each year, but the application fee is only required in the first year of application. The department of commerce  
15 shall notify the applicant whether the postproduction company qualifies for the credit within 30 days of receipt of  
16 the application.

17 (2) An application, on a form provided by the department of commerce, must be submitted by the  
18 production company to the department of commerce before the start of principal photography. The application  
19 must be accompanied by a \$500 fee and must include:

20 (a) the production company's name, primary business address, telephone and fax numbers,  
21 incorporation information, federal tax identification number, and the name of at least one principal company  
22 officer or manager;

23 (b) the address and telephone and fax numbers of the production company's Montana office;

24 (c) the name of the line producer, unit production manager, or production accountant;

25 (d) a statement that the applicant meets the definition of production company in 15-31-1003;

26 (e) the title of the production;

27 (f) the type of production;

28 (g) the proposed dates of production from preproduction to the start and completion of principal

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1 photography;

2 (h) a copy or synopsis of the production script;

3 (i) a list of production locations;

4 (j) a statement that the proposed production does not contain any material or performance that would  
5 be considered obscene under 45-8-201(2);

6 (k) a statement that the production will include a qualified Montana promotion; and

7 (l) a statement that the production company plans to make a base investment of \$350,000 or more or,  
8 if subsection (5) applies, that the production company plans to make a base investment of \$50,000 or more.

9 (3) The application must be signed by the manager, agent, president, vice president, or other person  
10 authorized to represent the production company.

11 (4) (a) The department of commerce shall notify the applicant within 30 days of receipt of the  
12 application as to whether the production qualifies as a state-certified production.

13 (b) If the department of commerce approves the application, the department of commerce shall  
14 provide a certification number to the applicant.

15 (5) The department of commerce may approve on a case-by-case basis an application for a  
16 commercial, music video, production for website creation, video game, interactive entertainment, or  
17 experimental or low-budget project that plans a base investment of less than \$350,000 but more than \$50,000.

18 (6) (a) If the department of commerce determines that the production company has violated the  
19 provisions of subsection (2)(j) or (2)(k), the department of commerce may revoke the state certification of the  
20 production. If the department of commerce revokes the state certification, the department of commerce shall  
21 notify the department of revenue. The production company has the right to a hearing before the department of  
22 commerce on the revocation of the state certification as provided in Title 2, chapter 4, part 6.

23 (b) The department of revenue shall recapture any tax credit claimed by a production company for  
24 which the state certification has been revoked. The recapture is subject to penalties and interest as provided in  
25 15-1-216.

26 (c) If the production company transferred the tax credit, the recapture provisions of 15-31-1008(7)  
27 apply.

28 (7) The department of commerce shall design and furnish the Montana screen credit needed to

1 qualify for the additional tax credit provided for in 15-31-1007(3)(b)(viii) and the programming promoting  
2 Montana destinations provided for in ~~15-31-1003(12)(e)~~ 15-31-1003(13)(e).

3 (8) The application fee must be deposited in an account in the state special revenue fund. The fee is  
4 statutorily appropriated to the department of commerce, as provided in 17-7-502, to administer the provisions of  
5 15-31-1004 through 15-31-1012.

6 (9) The department of commerce shall prescribe rules necessary to carry out the provisions of this  
7 section, including a procedure for review of the department of commerce's denial or revocation of state  
8 certification, the department's policies on the types of productions that may include the Montana screen credit,  
9 and the criteria for approving projects with a base investment of less than \$350,000."

10

11 **Section 3.** Section 15-31-1010, MCA, is amended to read:

12 "~~15-31-1010. (Temporary) Limitation of tax credits. (1) (a) The department of commerce may~~  
13 ~~grant to applicants pursuant to 15-31-1004 the authority to apply for the tax credits provided for in 15-31-1007~~  
14 ~~and 15-31-1009.~~

15 ~~(b) The authorization by the department of commerce to apply for a credit does not guarantee the~~  
16 ~~credit. A taxpayer authorized to apply for a credit pursuant to 15-31-1004 and this section must meet the~~  
17 ~~requirements of 15-31-1005 through 15-31-1009 and subsection (2) of this section.~~

18 ~~(c) The department of commerce shall make reasonable efforts to post on its website the amount of~~  
19 ~~tax credits available and not yet allocated.~~

20 ~~(2) (a) Total claims for the tax credits provided for in 15-31-1007 and 15-31-1009 may not exceed~~  
21 ~~[\$12 million] per calendar year.~~

22 ~~(b) Claims must be allowed on a first come, first served basis. A taxpayer whose claim for a credit is~~  
23 ~~disallowed because the calendar year limit has been reached may use the credit in the next calendar year but~~  
24 ~~the transfer of the credit to the next calendar year does not extend the carry forward periods provided for in 15-~~  
25 ~~31-1007 (5) or 15-31-1009 (4).~~

26 ~~(c) If a claim is disallowed because the calendar year limit has been reached, the department of~~  
27 ~~revenue may waive penalties and interest pursuant to 15-1-216.~~

28 ~~(d) The department of revenue shall make reasonable efforts to post on its website the amount of~~

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1 credits available and not yet claimed. (Bracketed language is temporarily amended to "\$10 million" on  
2 occurrence of contingency for income tax years 2022, 2023, 2024, and 2025 until July 1, 2025—secs. 7(6), 9,  
3 Ch. 509, L. 2021—see compiler's comment.)

4 **15-31-1010. (Effective July 1, 2025) Limitation of tax credits.** (1) (a) The department of commerce  
5 may grant to applicants pursuant to 15-31-1004 the authority to apply for the tax credits provided for in 15-31-  
6 1007 and 15-31-1009.

7 (b) The authorization by the department of commerce to apply for a credit does not guarantee the  
8 credit. A taxpayer authorized to apply for a credit pursuant to 15-31-1004 and this section must meet the  
9 requirements of 15-31-1005 through 15-31-1009 and subsection (2) of this section.

10 (c) The department of commerce shall make reasonable efforts to post on its website the amount  
11 of tax credits available and not yet allocated.

12 (2) (a) Total claims for the tax credits provided for in 15-31-1007 and 15-31-1009 may not exceed  
13 ~~\$12-\$30~~ \$20 million per calendar year, 25% OF WHICH MUST BE GRANTED TO A DOMICILED COMPANY for media  
14 production credits derived from any portion of base investment related to the rental cost of qualified Montana  
15 facilities.

16 (b) Claims must be allowed on a first-come, first-served basis. A taxpayer whose claim for a credit  
17 is disallowed because the calendar year limit has been reached may use the credit in the next calendar year  
18 but the transfer of the credit to the next calendar year does not extend the carry forward periods provided for in  
19 15-31-1007(5) or 15-31-1009(4).

20 (c) If a claim is disallowed because the calendar year limit has been reached, the department of  
21 revenue may waive penalties and interest pursuant to 15-1-216.

22 (d) The department of revenue shall make reasonable efforts to post on its website the amount of  
23 credits available and not yet claimed."  
24

25 NEW SECTION. Section 4. Repealer. Sections 1 through 9, Chapter 509, Laws of 2021, are  
26 repealed.  
27

28 NEW SECTION. Section 5. Effective date. [This act] is effective on passage and approval.

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2           NEW SECTION. **Section 6. Retroactive applicability.** [This act] applies retroactively, within the  
3 meaning of 1-2-109, to income tax years beginning on or after January 1, 2023.

4

- END -

AMEND