

May 25, 2010

H 2000. INTERACTIVE DIGITAL MEDIA CREDITS. Filed 5/25/10. *TO ENACT TAX INCENTIVES FOR GAMING COMPANIES.*

Enacts new Article 3L to GS Chapter 105, entitled Interactive Digital Media, to provide tax credits to eligible taxpayers associated with interactive digital media productions.

Definitions. Provides the terms and definitions for application in Article 3L, including the definitions for *Gold master* – the version of interactive digital media released to a manufacturer; *Interactive digital media* – electronic communication technologies that facilitate user-to-user or user and information interactivity sold through marketing channels or used in virtual worlds and online games as detailed, and games, software, and products as further specified; and *Qualifying expenses* of a producer of interactive digital media which include production property purchased or leased and certain compensation and wages.

Procedural Requirements. Makes a taxpayer eligible to receive a credit under Article 3L if it satisfies GS 105-129.83(c), (d), (e), (f), and (g) (pertaining to wage standards, health insurance, environmental impact, safety and health programs, and overdue tax debts requirements). Requires a taxpayer to notify the Department of Commerce (Department) of the taxpayer's intent to claim a credit under Article 3L, to pay a \$500 fee for program administration, and to include described information in the taxpayer's notification. Obligates a taxpayer who takes a credit to acknowledge the Department in the production credits of any applicable production. Requires a taxpayer claiming the credit to provide all information requested by the Secretary of Commerce, to maintain and make available records for inspection by the Secretary, and to bear the burden of proving eligibility for and amount of a credit. Directs the Department to publish by May 1 of each year reports for the 12-month period ending the preceding December 31 and itemized by taxpayer on: (1) the qualifying expenses for which a credit was claimed separated by category of expenses; (2) the number of people employed in the State with respect to credits claimed; and (3) the total cost to the General Fund of the credits claimed. Also details guidelines for credit allocations and the credit cap. Provides a sunset date for Article 3L of taxable years beginning on or after January 1, 2014.

Production credit and headquarters credit. Allows a credit for a taxpayer that has qualifying expenses of at least \$100,000 with respect to an interactive digital media production against taxes imposed equal to 15% of all qualifying expenses for which the taxpayer has not claimed a credit. Limits this production credit to \$7.5 million, and emphasizes that no credit is allowed for any production that is: (1) gambling or casino games, (2) done for academic credit, (3) developed for internal use, (4) political advertising, (5) obscene, or (6) an Internet site that is primarily static and informative. Prohibits a taxpayer who receives a production credit from also claiming a credit under Article 3J (credits for growing businesses) when compensation and wages or business property is used to calculate the production credit under Article 3L. Makes a taxpayer that is primarily engaged in producing interactive digital media eligible for a company headquarters credit if the taxpayer creates at least 20 new full-time jobs at the headquarters within a 24-month period. Provides additional details related to specific time periods. Allows a credit of \$5,000 for each new full-time job created at the company headquarters, and limits the maximum cumulative credit claimed under the headquarters provision to \$500,000. Prohibits a taxpayer claiming a headquarters credit from also claiming a job creation credit under Article 3J for the same job.

Effective for taxable years beginning on or after January 1, 2011.

Intro. by Gibson, Owens, Heagarty, Martin. GS 105