

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

FILED SENATE
Apr 30, 2026
S.B. 1002
PRINCIPAL CLERK

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SENATE BILL DRS35440-MCa-324

Short Title: Micro-Budget Productions & Film Grant Changes.

(Public)

Sponsors: Senator Lee (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY THE FILM AND ENTERTAINMENT GRANT FUND.

3 The General Assembly of North Carolina enacts:

4 SECTION 1. G.S. 143B-437.02A reads as rewritten:

5 "§ 143B-437.02A. The Film and Entertainment Grant Fund.

6 (a) Creation and Purpose of Fund. – There is created in the Department of Commerce a
7 special, nonreverting account to be known as the Film and Entertainment Grant Fund to provide
8 funds to encourage the production of motion pictures, television shows, movies for television,
9 productions intended for on-line distribution, and commercials and to develop the filmmaking
10 industry within the State. The Department of Commerce shall adopt guidelines providing for the
11 administration of the program. Those guidelines may provide for the Secretary to award the grant
12 proceeds over a period of time, not to exceed three years. Those guidelines shall include the
13 following provisions, which shall apply to each grant from the account:

14 (1) The funds are reserved for a production on which the production company has
15 qualifying expenses of at least the following:

16 ...

17 b. For a production consisting of a series of episodes intended for on-line
18 distribution or a television series, five hundred thousand dollars
19 (\$500,000) per episode.

20 ...

21 (2) The funds are not used to provide a grant in excess of any of the following:

22 a. An amount more than twenty-five percent (25%) of the qualifying
23 expenses for the production.

24 b. An amount more than ~~seven million dollars (\$7,000,000)~~ twenty
25 million dollars (\$20,000,000) for a feature-length ~~film, film or a single~~
26 season of a production consisting of a series of episodes intended for
27 on-line distribution, more than ~~fifteen million dollars (\$15,000,000)~~
28 twenty-five million dollars (\$25,000,000) for a single season of a
29 television series, or two hundred fifty thousand dollars (\$250,000) for
30 a commercial for theatrical or television viewing or on-line
31 distribution. The amount of a grant for the first season of a series, when
32 added to any grant awarded for the pilot episode of that series, may not
33 exceed twenty-five million dollars (\$25,000,000).

34 (3) The funds are not used to provide a grant to more than one production
35 company for a single production.



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- 1 (4) The funds are not used to provide a grant for a production that meets one or
2 more of the following:
3 ...
4 f. It is a ~~talk, game, talk show, recorded concert or other live performance~~
5 event for theatrical or other release, or awards show or other gala
6 event. For purposes of this exception, an awards show is television
7 programming involving the filming of a ceremony in which
8 individuals, groups, or organizations are given an award.
9 ...
- 10 (b) Definitions. – The following definitions apply in this section:
11 ...
- 12 (3) Highly compensated individual. – An individual who directly or indirectly
13 receives compensation in excess of ~~one million dollars (\$1,000,000)~~ four
14 million dollars (\$4,000,000) for personal services with respect to a single
15 production. An individual receives compensation indirectly when a
16 production company pays a personal service company or an employee leasing
17 company that pays the individual.
18 ...
- 19 (5) Production. – Any of the following:
20 a. A motion picture intended for commercial distribution to a motion
21 picture theater or directly to the consumer viewing market that has a
22 running time of at least 75 minutes.
23 b. A television series or a commercial for theatrical or television viewing,
24 made-for-television movie, or production intended for on-line
25 distribution. For ~~video and a~~ television series, a production is all ~~of the~~
26 episodes of the series produced for a single season. For a production
27 intended for on-line distribution, the production is all the episodes
28 produced for a single calendar year, provided there are at least six
29 episodes with an average running time of at least 20 minutes.
- 30 (6) Production company. – ~~Defined in G.S. 105-164.3. A person engaged in the~~
31 business of making original motion pictures or video content for theatrical,
32 commercial, advertising, or educational purposes.
- 33 (7) Qualifying expenses. – The sum of the amounts listed in this subdivision,
34 substantiated pursuant to subsection (d) of this section, and spent in this State
35 by a production company in connection with a production, less the amount
36 paid in excess of ~~one million dollars (\$1,000,000)~~ four million dollars
37 (\$4,000,000) to a highly compensated individual:
38 a. Goods and services leased or purchased. For goods with a purchase
39 price of twenty-five thousand dollars (\$25,000) or more, the amount
40 included in qualifying expenses is the purchase price less the fair
41 market value of the good at the time the production is completed.
42 Goods and services includes the costs of tangible and intangible
43 property used for, and services performed primarily and customarily
44 in, production, including preproduction and postproduction and other
45 direct costs of producing the project in accordance with generally
46 accepted entertainment industry practices. Goods and services exclude
47 ~~costs the following:~~
48 1. Costs for development, marketing, and distribution; costs
49 distribution.

- 2. Costs of financing for the production, of bonding related to the production, of production-related insurance coverage obtained on the production; and expenses production.
- 3. Expenses for insurance coverage purchased from a related member.
- 4. For game shows and productions that document purportedly unscripted real-life situations primarily using unfamiliar people in lieu of professional actors, (i) costs for and value of prizes awarded and (ii) the fair market value of any item in the show intentionally or negligently used or destroyed for entertainment purposes immediately prior to its destruction or use.

...

(h) Micro-Budget Productions Account. – There is created in the Film and Entertainment Grant Fund a special, nonreverting account to be known as the Micro-Budget Productions Account to provide funds to encourage smaller productions to develop the filmmaking industry within the State. The Department of Commerce shall adopt guidelines providing for the administration of the program. Those guidelines shall apply to each grant from the account and shall adhere to the provisions in this section, with the following modifications:

- (1) The funds are reserved for a production on which the production company has qualifying expenses of at least fifty thousand dollars (\$50,000) in the State but not more than one million four hundred ninety-nine thousand dollars (\$1,499,000) for the production.
- (2) The funds are not used to provide a grant in excess of (i) a base amount equal to the lesser of twenty percent (20%) of the qualifying expenses for the production or one hundred thousand dollars (\$100,000) plus (ii) any of the following:
 - a. A bonus amount equal to five percent (5%) of the base amount if the production company provides qualified accounting showing at least seventy-five percent (75%) of the compensation and wages paid for the production was paid to North Carolina residents. For purposes of this sub-subdivision, "qualified accounting" by the production company includes both (i) withholding payments remitted to the Department of Revenue under Article 4A of Chapter 105 of the General Statutes and (ii) payments for compensation to independent contractors reported using a Form 1099. In calculating whether the required percentage has been met, the following shall be included in compensation and wages: employee fringe contributions, including health, pension, and welfare contributions; per diems, stipends, and living allowances paid for work being performed in this State; and payments made to a loan-out company for services provided in the State.
 - b. A bonus amount equal to (i) three percent (3%) if at least seventy-five percent (75%) of the filming occurred in development tier two and one areas or (ii) five percent (5%) if at least seventy-five percent (75%) of the filming occurred in a development tier one area. For purposes of this sub-subdivision, a "development tier area" is as defined in G.S. 143B-437.08.
- (3) The funds are reserved for a production for which at least seventy-five percent (75%) of the filming occurred in the State by or with a production company with company headquarters, as defined in G.S. 143B-437.01, in this State.

- 1 (4) The funds are not contingent on the existence, proof, or guarantee of a
2 distribution agreement.
- 3 (5) A production is not limited to feature-length films, television series, or
4 commercials but can consist of short films, documentaries, or other similar
5 audiovisual works intended for distribution that meet the requirements of this
6 subsection.
- 7 (6) No grant may be awarded that, when considered together with other grants
8 awarded during a single calendar year, could cause the State's potential total
9 annual liability for grants awarded in a single calendar year to exceed the
10 amount available in the Account."

11 **SECTION 2.** There is appropriated from the General Fund to the Department of
12 Commerce the sum of one million five hundred thousand dollars (\$1,500,000) in nonrecurring
13 funds beginning in the 2026-2027 fiscal year to the Micro-Budget Productions Account
14 established in Section 1 of this act for purposes consistent with that Account.

15 **SECTION 3.** This act becomes effective July 1, 2026, and applies to grants made on
16 or after that date.