

## Chapter Tour 4

### FILM PRODUCTION ACCREDITATION PROGRAM

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**Note:** Chapter Comm 133 was renumbered chapter Tour 4 under s. 13.92 (4) (b) 1., Stats., Register December 2011 No. 672.

#### Subchapter I — Purpose, Scope and Authority

**Tour 4.10 Purpose, scope and authority.** (1) The purpose and scope of this chapter is to establish the procedures for obtaining any of the following from the department, for use in claiming corresponding tax credits:

(a) Accreditation of a production.

(b) A determination of the amount of expenditures that are directly used to produce an accredited production.

(c) Certification of expenses that are related to establishing or operating a film production company in Wisconsin.

(2) This chapter is promulgated under the authority of s. 41.155 (4), Stats.

**History:** CR 07-063: cr. Register December 2007 No. 624, eff. 1-1-08; CR 10-116: am. (1) (c) Register May 2011 No. 665, eff. 6-1-11; correction in (2) made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672.

#### Subchapter II — Accreditation of Production.

**Tour 4.20 Definitions.** In this subchapter:

(1) The definitions in s. 71.07 (5f) (a) 1. to 3., Stats., shall apply.

**Note:** Section 71.07 (5f) (a) 1. to 3., Stats., reads as follows:

“1. “Accredited production” means a film, video, broadcast advertisement, or television production, as approved by the department of commerce or the department of tourism, for which the aggregate salary and wages included in the cost of the production for the period ending 12 months after the month in which the principal filming or taping of the production begins exceeds \$50,000. “Accredited production” also means an electronic game, as approved by the department of commerce or the department of tourism, for which the aggregate salary and wages included in the cost of the production for the period ending 36 months after the month in which the principal programming, filming, or taping of the production begins exceeds \$100,000. “Accredited production” does not include any of the following, regardless of the production costs:

a. News, current events, or public programming or a program that includes weather or market reports.

b. A talk show.

c. A production with respect to a questionnaire or contest.

d. A sports event or sports activity.

e. A gala presentation or awards show.

f. A finished production that solicits funds.

g. A production for which the production company is required under 18 USC 2257 to maintain records with respect to a performer portrayed in a single media or multimedia program.

h. A production produced primarily for industrial, corporate, or institutional purposes.

2. “Claimant” means a person who files a claim under this subsection.

3. “Production expenditures” means any expenditures that are incurred in this state and directly used to produce an accredited production, including expenditures for set construction and operation, wardrobes, make-up, clothing accessories, photography, sound recording, sound synchronization, sound mixing, lighting, editing, film processing, film transferring, special effects, visual effects, renting or leasing facilities or equipment, renting or leasing motor vehicles, food, lodging, and any other similar expenditure as determined by the department of commerce or the de-

partment of tourism. “Production expenditures” do not include salary, wages, or labor-related contract payments.”

**Note:** 18 USC 2257, as referenced above in s. 71.07 (5f) (a) 1. g., relates to sexual exploitation and other abuse of children.

(2) “Department” means the department of tourism.

(3) “Incurred” means funds equal to the total cost have been disbursed by a potential claimant.

(4) “Person” includes natural persons, fiduciaries, and corporations, unless the context requires otherwise.

**History:** CR 07-063: cr. Register December 2007 No. 624, eff. 1-1-08; CR 10-116: am. (3) Register May 2011 No. 665, eff. 6-1-11; correction in (2) made under s. 13.92 (4) (b) 6., Stats., Register December 2011 No. 672.

**Tour 4.30 General eligibility criteria.** The department shall consider whether all of the following are likely, in determining whether to accredit a production:

(1) The production would not occur in Wisconsin without the tax benefits provided under this chapter.

(2) The production would enhance economic development in Wisconsin.

(3) The production would enhance the potential for increasing the film, video or electronic game industry in Wisconsin.

(4) The production would not hurt the reputation of the state of Wisconsin.

**History:** CR 07-063: cr. Register December 2007 No. 624, eff. 1-1-08.

**Tour 4.31 Ineligible public programming.** Public programming of a civic or governmental function is not eligible for becoming an accredited production.

**History:** CR 07-063: cr. Register December 2007 No. 624, eff. 1-1-08.

**Tour 4.34 Obtaining accreditation. (1) APPLICATION.**

(a) A potential claimant shall submit a separate accreditation application for each production, to the department, on a valid, department-prescribed form.

**Note:** The application form that is currently valid can be obtained from the department at P.O. Box 8690, Madison, WI, 53708-8690; and may be available by accessing the department’s Web site at <http://industry.travelwisconsin.com>, and searching for the film production accreditation program.

**Note:** Under s. 41.155 (1), Stats., application for accreditation must be made to the department in each taxable year for which accreditation is desired.

(b) An application for accrediting a production shall be submitted at least 21 days prior to the start of filming or taping the production.

(c) Applications shall be reviewed by the department on a first-come, first-served basis.

(2) **APPROVAL.** A production shall become accredited upon issuance of a written approval from the department, to the claimant, reflecting that the submitted application complies with this chapter and provides any other information which the depart-

ment deems is necessary to evaluate applications under this subchapter.

**(3) REVOCATION.** The department may revoke any approval issued under sub. (2) if the supporting information is found to be inaccurate or significantly misleading.

**Note:** In accordance with s. 41.155 (3), Stats., the department will notify the department of revenue of every production accredited under this section, and of any such accreditation that is revoked.

**History:** CR 07-063: cr. Register December 2007 No. 624, eff. 1-1-08; CR 10-116: renum. (1) to (1) (a), cr. (1) (b) and (c) Register May 2011 No. 665, eff. 6-1-11.

**Tour 4.35 Ineligible expenditures.** Expenditures for any of the following are not eligible for submittal or acceptance under s. Tour 4.36:

- (1) Marketing and distribution of an accredited production.
- (2) Alcoholic beverages.
- (3) Tobacco.
- (4) Gifts to cast and crew members.
- (5) Expenses related to cast and crew parties.
- (6) Per diems paid to non-Wisconsin residents.
- (7) Bank and transaction fees.
- (8) Legal fees, such as for development, marketing or business set-up.
- (9) Expenditures for forfeitures, fees, expenses and costs associated with violation of federal or state law or local ordinances.
- (10) Losses and damages.

**History:** CR 10-116: cr. Register May 2011 No. 665, eff. 6-1-11; correction in (intro.) made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672.

**Tour 4.36 Determination of production expenditures and resident salary, wages, or labor-related contract payments.** (1) To obtain the department's determinations in sub. (2), and prior to filing for tax benefits, a claimant shall submit all of the following to the department, in writing:

- (a) A list and description of the production expenditures incurred during the taxable year.
- (b) A list of the salary, wages, or labor-related contract payments that were paid as specified in sub. (2) (b), and a description of the corresponding services.
- (c) Attestation that the employees who received the salary, wages, or labor-related contract payments as specified sub. (2) (b) were residents of this state under s. 71.02, Stats., at the time of being paid.
- (d) Verification that the \$50,000 or \$100,000 threshold in s. 71.07 (5f) (a) 1. (intro.), Stats., was exceeded.

- (e) Verification that the 35 percent threshold in s. 71.07 (5f) (c) 1., 71.28 (5f) (c) 1., or 71.47 (5f) (c) 1., Stats., was met.

**Note:** Sections 71.07 (5f) (c) 1., 71.28 (5f) (c) 1., and 71.47 (5f) (c) 1., Stats., read as follows: "A claimant may not claim a credit under this subsection if less than 35 percent of the total budget for the accredited production is spent in this state."

- (f) Verification of compliance with the sourcing requirement in s. 71.07 (5f) (c) 3., 71.28 (5f) (c) 3., or 71.47 (5f) (c) 3., Stats.

**Note:** Sections 71.07 (5f) (c) 3., 71.28 (5f) (c) 3., and 71.47 (5f) (c) 3., Stats., read as follows: "No credit may be claimed under par. (b) 3. for the purchase of tangible personal property or items, property, or goods under s. 77.52 (1) (b), (c), or (d) the sale of which is not sourced to this state, as provided under s. 77.522."

- (g) A fee in the amount of 2 percent of the production expenditures listed in the application, or \$5,000, whichever is less.

**Note:** See s. Tour 4.20 (1) Note for a reprint of s. 71.07 (5f) (a) 1. (intro.), Stats.

- (h) Documentation evidencing that receipt of the credit is a major factor in the applicant's decision to operate the accredited production in this state. The documentation shall include details showing that the applicant has multistate or international location options and either could reasonably operate the production outside the state or is considering operating the production in at least one other state or nation.

- (i) Any subsequent clarification requested by the department.

**(2)** The department shall determine the following amounts, after accrediting a production, and shall notify the claimant of those amounts, in writing:

- (a) The production expenditures that were incurred during the taxable year.

- (b) The salary, wages, or labor-related contract payments that were paid during the taxable year by the claimant to those employees of the claimant who met both of the following criteria:

1. Rendered services in this state to produce an accredited production.

2. Were residents of this state at the time they were paid.

- (c) Any reduction in allocation of tax credits that is needed to either broaden the potential for promoting economic development or to avoid exceeding the annual aggregated cap of \$500,000 specified in ss. 71.07 (5f) (c) 5. and (5h) (c) 4m., 71.28 (5f) (c) 5. and (5h) (c) 4m., and 71.47 (5f) (c) 5. and (5h) (c) 4m., Stats.

- (3) (a) The department may increase the amount specified in a notification issued under sub. (2), after a claimant submits adequate written justification for that increase.

- (b) The department may decrease the amount specified in a notification issued under sub. (2), after determining that the information on which the amount was based is inaccurate or significantly misleading.

- (c) The department shall notify a claimant, in writing, of any increase or decrease established under this subsection.

**Note:** In accordance with s. 41.155 (3), Stats., the department will notify the department of revenue of the production expenditures that are verified under this section.

**History:** CR 07-063: cr. Register December 2007 No. 624, eff. 1-1-08; CR 10-116: am. (1) (title), (b), (c), (2) (b) (intro.), r. and recr. (1) (e) to (g) and (2) (c), renum. (1) (h) to (i), cr. (1) (h) Register May 2011 No. 665, eff. 6-1-11.

### **Subchapter III — Tax Credits for Establishing or Operating a Film Production Company**

**Tour 4.60 Definitions.** In this subchapter:

- (1)** The definitions in s. 71.07 (5h) (a) 1. to 4., Stats., shall apply.

**Note:** Section 71.07 (5h) (a) 1. to 4., Stats., reads as follows:

"1. 'Claimant' means a person who files a claim under this subsection and who does business in this state as a film production company.

2. 'Film production company' means an entity that exclusively creates accredited productions, as defined in sub. (5f) (a) 1.

3. 'Physical work' does not include preliminary activities such as planning, designing, securing financing, researching, developing specifications, or stabilizing property to prevent deterioration.

4. 'Previously owned property' means real property that the claimant or a related person owned during the 2 years prior to doing business in this state as a film production company and for which the claimant may not deduct a loss from the sale of the property to, or an exchange of the property with, the related person under section 267 of the Internal Revenue Code, except that section 267 of the Internal Revenue Code is modified so that if the claimant owns any part of the property, rather than 50 percent ownership, the claimant is subject to section 267 of the Internal Revenue Code for purposes of this subsection."

- (2)** "Department" means the department of tourism.

- (3)** "Incurred" means funds equal to the total cost have been disbursed by a potential claimant.

- (4)** "Person" includes natural persons, fiduciaries, and corporations, unless the context requires otherwise.

**History:** CR 07-063: cr. Register December 2007 No. 624, eff. 1-1-08; CR 10-116: am. (3) Register May 2011 No. 665, eff. 6-1-11; correction in (2) made under s. 13.92 (4) (b) 6., Stats., Register December 2011 No. 672.

**Tour 4.70 Certification of expenses relating to establishing a film production company.** (1) (a) To obtain the department's preliminary approval in sub. (3), a potential claimant shall submit all of the following to the department, in writing:

1. A valid, department-prescribed application form.

**Note:** The application form that is currently valid can be obtained from the department at P.O. Box 8690, Madison, WI, 53708-8690; and may be available by accessing the department's Web site at <http://industry.travelwisconsin.com>, and searching for the film production accreditation program.

2. A preliminary, estimated list of the expenses referenced in sub. (5).

3. A description of how the estimated expenses will relate to establishing or operating a film production company in Wisconsin.

4. Documentation showing that the expenses will be within the scope prescribed in s. 71.07 (5h) (b) 1., 71.28 (5h) (b) 1., or 71.47 (5h) (b) 1., Stats.

**Note:** The expenses prescribed in s. 71.07 (5h) (b) 1., 71.28 (5h) (b) 1., and 71.47 (5h) (b) 1., Stats., consist of "The purchase price of depreciable, tangible personal property and items, property, and goods under s. 77.52 (1) (b), (c), and (d), if the sale of the tangible personal property, items, property, or goods is sourced to this state under s. 77.522."

5. Documentation showing that the expenses will comply with the limitations in s. 71.07 (5h) (c) 1. to 3., 71.28 (5h) (c) 1. to 3., or 71.47 (5h) (c) 1. to 3., Stats.

**Note:** Sections 71.07 (5h) (c) 1. to 3., 71.28 (5h) (c) 1. to 3., and 71.47 (5h) (c) 1. to 3., Stats., read as follows:

"Limitations. 1. A claimant may claim the credit under par. (b) 1., if the tangible personal property, or item, property, or good under s. 77.52 (1) (b), (c), or (d), is purchased after December 31, 2008, and the tangible personal property, item, property, or good is used for at least 50 percent of its use in the claimant's business as a film production company.

2. A claimant may claim the credit under par. (b) 2. for an amount expended to construct, rehabilitate, remodel, or repair real property, if the claimant began the physical work of construction, rehabilitation, remodeling, or repair, or any demolition or destruction in preparation for the physical work, after December 31, 2008, and the completed project is placed in service after December 31, 2008.

3. A claimant may claim the credit under par. (b) 2. for an amount expended to acquire real property, if the property is not previously owned property and if the claimant acquires the property after December 31, 2008, and the completed project is placed in service after December 31, 2008."

(b) A potential claimant shall provide any subsequent clarification requested by the department.

(2) The department shall consider whether all of the following are likely, in determining whether to issue a preliminary approval for establishing a film production company:

(a) The film production company and its investment would enhance economic development in Wisconsin.

(b) The film production company and its investment would enhance the potential for increasing the film, video or electronic game industry in Wisconsin.

(3) If the department determines that the expenses submitted under sub. (1) are expected to comply with s. 71.07 (5h) (c) 1. to 3., 71.28 (5h) (c) 1. to 3., or 71.47 (5h) (c) 1. to 3., Stats., and that the film production company is expected to meet the conditions in sub. (2) (a) and (b), the department shall issue a preliminary approval to the potential claimant.

(4) To obtain the department's certification in sub. (5), and prior to filing for tax benefits, a potential claimant shall submit a finalized, incurred list of the expenses referenced in sub. (5), along with an explanation for any of the expenses which differ from the preliminary list under sub. (1).

(5) (a) In accordance with ss. 71.07 (5h), 71.28 (5h), and 71.47 (5h), Stats., and subject to any reduction under par. (b), the department shall certify, in writing to a potential claimant, expenses that the department determines are related to establishing or operating a film production company in Wisconsin.

(b) The department may award a lesser allocation of tax credits than what the applicant may be eligible for, to either broaden the potential for promoting economic development or to avoid exceeding the annual aggregated cap of \$500,000 specified in ss. 71.07 (5f) (c) 5. and (5h) (c) 4m., 71.28 (5f) (c) 5. and (5h) (c) 4m., and 71.47 (5f) (c) 5. and (5h) (c) 4m., Stats.

(6) (a) The department may increase the amount specified in a certification issued under sub. (5), after a potential claimant submits adequate written justification for that increase.

(b) The department may decrease the amount specified in a certification issued under sub. (5), after determining that the information on which the amount was based is inaccurate or significantly misleading.

(c) The department shall notify a potential claimant, in writing, of any increase or decrease established under this subsection.

(d) The department shall notify the department of revenue, in writing, of any decrease established under this subsection.

**History:** CR 07-063: cr. Register December 2007 No. 624, eff. 1-1-08; CR 10-116: am. (1) (a) 3., 5., (3), renum. (1) (a) 4. to 5., (2) (b) and (c) to (2) (a) and (b), renum. (5) to (5) (a) and am., cr. (1) (a) 4., (5) (b), r. (2) (a) Register May 2011 No. 665, eff. 6-1-11.

## Subchapter IV — Submittal of Claims

**Tour 4.90 Claims. (1)** A claimant, as defined in subch. II or III, may file for tax benefits under this chapter using forms acceptable to the department of revenue.

(2) Claims for tax credits for film production services or film production company investments shall include at least all of the following:

(a) For film production services — a copy of the determination issued by the department under s. Tour 4.36 (2).

(b) For film production company investments — a copy of the certification issued by the department under s. Tour 4.70 (5).

**History:** CR 07-063: cr. Register December 2007 No. 624, eff. 1-1-08; CR 10-116 r. (2) (b) and (c), renum. (2) (a) 1. and 2. to (2) (a) and (b) Register May 2011 No. 665, eff. 6-1-11; correction in (2) (a), (b) made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672.