

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

- 1. **Patron** Wendell S. Walker
- 3. **Committee** House Counties, Cities and Towns
- 4. **Title** Film industry community zones; Local designation

- 2. **Bill Number** HB 2012
House of Origin:
 X **Introduced**
 Substitute
 Engrossed

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would authorize localities to establish, by ordinance, one or more zones in a community that has a film industry presence or the potential of a film industry presence within the designated area and where such presence drives, or has the potential to drive, significant economic activity. The bill would also authorize a locality, or another political subdivision acting on behalf of the locality, to offer unique benefits to film industry and film industry related businesses, including the reduction of certain fees and taxes. In addition, the bill provides that local governing bodies are authorized to enter into agreements for the payment of economic development incentive grants to such businesses. The bill also allows a governing body to provide for certain regulatory flexibility and incentives.

Localities are authorized to create community zones with regulatory flexibility and economic incentives to attract economic development and investment within the locality. Currently, localities may create zones related to technology, defense production, military personnel, and green business development.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

- 6. **Budget amendment necessary:** No.
- 7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
- 8. **Fiscal implications:**

Administrative Costs

This bill would have an unknown impact to administrative costs in localities that choose to exercise the authority granted by the bill.

The bill would have no impact on state administrative costs.

Revenue Impact

This bill would have an unknown impact to revenues in localities that choose to exercise the authority granted by the bill.

The bill may have an unknown positive impact on state revenues to the extent that the designation of these community zones attracts businesses that increase state tax receipts.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Local Community Zones

Localities are authorized to create community zones with regulatory flexibility and economic incentives to attract economic development and investment within the locality. Currently, localities may create zones related to technology, defense production, military personnel, and green business development.

Localities are authorized to, by ordinance, offer eligible businesses within these designated community zones regulatory incentives and flexibility including but not limited to, reduced gross receipts taxes, streamlined permitting processes, reduced permit fees, special zoning treatment, and exemption from ordinances.

Other Film Industry Incentives

Virginia also offers state-level incentives to the film industry such as the Governor's Motion Picture Opportunity Fund, the motion picture production tax credit, and media-related sales tax exemptions.

Governor's Motion Picture Opportunity Fund

The types of projects eligible for consideration for grants from the Governor's Motion Picture Opportunity Fund include feature films, children's programs, documentaries, television series or other television programs designed to fit a thirty-minute or longer format slot. Projects not eligible are industrial, corporate or commercial projects, education programs not intended for rebroadcast, adult films, music videos and news shows or reports.

Motion Picture Production Tax Credit

The Motion Picture Production Tax Credit consists of a series of refundable individual and corporate income credits for motion picture production companies that meet certain criteria. A motion picture production company with qualifying expenses of at least \$250,000 may receive a credit equal to 15 percent of qualifying expenses or 20 percent of

qualifying expenses if the production is filmed in an economically distressed area of Virginia.

A motion picture production company may receive an additional credit equal to 10 percent of the total aggregate payroll for Virginia residents employed in connection with the production of a film in Virginia when total production costs in Virginia are at least \$250,000, but not more than \$1 million. This additional credit is equal to 20 percent of the total aggregate payroll of such residents when total production costs in Virginia exceed \$1 million.

A motion picture production company may also receive an additional credit equal to 10 percent of the total aggregate payroll for Virginia residents employed for the first time as actors or members of a production crew in connection with the production of a film in Virginia.

Media-Related Sales and Use Tax Exemption

Beginning July 1, 1995 and ending July 1, 2027, Virginia exempts the equipment, parts and accessories used in the production of audiovisual works, as well as

- The lease, rental, license, sale, other transfer, or use of any audio or video tape, film or audiovisual work for the purpose of using or incorporation into an audiovisual work;
- The provision of production services or fabrication in connection with an audiovisual work; or
- The transfer or use of tangible personal property incident to the performance of such services or fabrication.

Proposal

This bill would authorize localities to establish, by ordinance, one or more film industry community zones. The bill would define “film industry community zone” as a community designated by a locality that has a film industry presence or the potential of a film industry presence within the designated area and where such presence drives, or has the potential to drive, significant economic activity.

The bill would also authorize a locality, or another political subdivision acting on behalf of the locality, to offer unique benefits to film industry and film industry-related businesses, including the (i) reduction of permit fees; (ii) reduction of user fees; and (iii) reduction of any type of gross receipts tax.

The bill would also allow local governing bodies to enter into agreements for the payment of economic development incentive grants to such businesses with payment of the grants conditioned upon the businesses making certain real property or capital investments, creating and maintaining new jobs, or performing or meeting other economic development objectives related to the film industry.

The bill would also allow a governing body to provide for certain regulatory flexibility including but not limited to (i) special zoning for the district, (ii) permit process reform, (iii) exemption from ordinances, and (iv) any other incentive adopted by ordinance.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective July 1, 2025.

cc : Secretary of Finance

Date: 01/14/2025 VB
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