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SENATE BILL NO. 612

Offered January 14, 2026

Prefiled January 14, 2026

A BILL to amend and reenact §§ 58.1-439.12:03 and 58.1-609.6 of the Code of Virginia, relating to motion picture production income tax credit; sales and use tax media-related exemptions.

Patrons—Pillion and Aird

Referred to Committee on Finance and Appropriations

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-439.12:03 and 58.1-609.6 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-439.12:03. Motion picture production tax credit.

A. For taxable years beginning on and after January 1, 2011, but prior to January 1, 2027 2032, any motion picture production company with qualifying expenses of at least \$250,000 with respect to a motion picture production filmed in Virginia shall be allowed a refundable credit against the taxes imposed by § 58.1-320 or 58.1-400 in an amount equal to 15 percent of the production company's qualifying expenses or 20 percent of such expenses if the production is filmed in an economically distressed area of the Commonwealth. The Virginia Economic Development Partnership Authority shall designate which areas of the Commonwealth are deemed to be economically distressed areas. The credit shall be computed based on all of the taxpayer's qualifying expenses incurred with respect to the production, not just the qualifying expenses incurred during the taxable year. The refundable tax credits allowed under this section are for one tax year only. Where a motion picture production continues for more than one year, a separate application for each tax year the production continues must be made. The grant of a refundable tax credit for a motion picture film production does not create a presumption that the production will receive a refundable tax credit for subsequent tax years. Effective on January 1, 2013, for purposes of eligibility for refundable tax credits, a motion picture film production shall include digital interactive media production.

"Qualifying expenses" means the sum of the following amounts spent in the Commonwealth by a production company in connection with the production of a motion picture filmed in the Commonwealth:

1. Goods and services leased or purchased. For goods with a purchase price of \$25,000 or more, the amount included in qualifying expenses is the purchase price less the fair market value of the good at the time the production is completed.

2. Compensation and wages, except in the case of each individual who directly or indirectly receives compensation in excess of \$1 million for personal services with respect to a single production. In such a case, only the first \$1 million of salary shall be considered a qualifying expense. An individual is deemed to receive compensation indirectly when a production company pays a personal service company or an employee leasing company that pays the individual.

B. 1. In addition to the refundable credit authorized under subsection A, such production company shall be allowed an additional refundable credit equal to 10 percent of the total aggregate payroll for Virginia residents employed in connection with the production of a film in the Commonwealth when total production costs in the Commonwealth are at least \$250,000 but not more than \$1 million. This additional credit shall be equal to 20 percent of the total aggregate payroll for Virginia residents employed in connection with such production when total production costs in the Commonwealth exceed \$1 million.

2. In addition to the credits authorized under subsection A and subdivision B 1, such production company shall be allowed an additional refundable 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 the Commonwealth.

C. 1. For purposes of this section, in the case of an episodic television series, an entire season of episodes shall be deemed to be one production.

2. No credit shall be allowed under this section for any production that (i) is political advertising, (ii) is a television production of a news program or live sporting event, (iii) contains obscene material, or (iv) is a reality television production.

D. 1. The issuance of refundable tax credits under this section shall be in accordance with procedures, qualifying criteria, and deadlines established by the Department and the Virginia Tourism Authority. The qualifying criteria established by the Virginia Tourism Authority shall take into account whether the production involves physical production within the Commonwealth of Virginia, the number of residents of Virginia that will be employed in the production and the level of compensation they will be paid, the extent to which the production will contribute to the support and expansion of existing production companies in Virginia, the extent to which the production will impact existing local businesses and the local economy, the

59 extent to which the production will involve existing and new companies located in Virginia, and other
60 relevant considerations. The taxpayer shall apply for a credit by submitting such forms as prescribed by the
61 Virginia Tourism Authority, prior to the start of production in Virginia.

62 2. Any taxpayer seeking credits under this section must enter into a memorandum of understanding with
63 the Virginia Tourism Authority that at a minimum provides the requirements that the taxpayer must meet in
64 order to receive the credits, including but not limited to the estimated amount of money to be spent in
65 Virginia, the timeline for completing production in Virginia, and the maximum amount of credits allocated to
66 the taxpayer.

67 3. Once the taxpayer has satisfied all of the requirements in the memorandum of understanding to the
68 satisfaction of the Virginia Tourism Authority and completed production in Virginia, the Virginia Tourism
69 Authority shall certify the final tax credit amount to the taxpayer and to the Tax Commissioner. In addition,
70 such certificate shall specify the fiscal year in which such tax credit may be refunded by the Department of
71 Taxation. The tax return filed for the taxable year in which the Virginia production activities are completed
72 shall contain information specifying the amount of tax credit and shall specify the fiscal year in which such
73 tax credit may be refunded. The return must state the name of the production, provide a description of the
74 production, and include a detailed accounting of the qualifying expenses with respect to which a credit is
75 claimed.

76 4. The Virginia Tourism Authority shall report to the Tax Commissioner on an annual basis the amount of
77 tax credits that have been authorized for each fiscal year and the amount of tax credits that may be claimed
78 for the current fiscal year by each taxpayer.

79 5. No interest shall be paid pursuant to § 58.1-1833 on any tax credit issued by the Department under this
80 section.

81 E. A taxpayer allowed a credit under this section must maintain and make available for inspection any
82 information or records required by the Tax Commissioner. The taxpayer has the burden of proving eligibility
83 for a credit and the amount of the credit. The Tax Commissioner shall consult with the Virginia Tourism
84 Authority in order to determine the amount of qualifying expenses.

85 F. For purposes of this section, the amount of any credit attributable to a partnership, electing small
86 business corporation (S corporation), or limited liability company may be allocated to the individual partners,
87 shareholders, or members, respectively, in proportion to their ownership or interest in such business entities.

88 G. The total amount of credits allocated to all taxpayers under this section shall not exceed \$2.5 million in
89 the 2010-2012 biennium, \$5 million in the 2012-2014 biennium, and \$6.5 million in fiscal year 2015 and
90 each fiscal year thereafter.

91 H. The Department of Taxation, in consultation with the Virginia Tourism Authority, must publish by
92 November 1 of each year for the 12-month period ending the preceding December 31 the following
93 information:

- 94 1. Location of sites used in a production for which a credit was claimed;
- 95 2. Qualifying expenses for which a credit was claimed, classified by whether the expenses were for goods,
96 services, or compensation paid by the production company;
- 97 3. Number of people employed in the Commonwealth with respect to credits claimed; and
- 98 4. Total cost to the Commonwealth's general fund of the credits claimed.

99 Notwithstanding any provision of § 58.1-3 or any other law, such information shall be published by the
100 Department, even if such information is not classified, so as to prevent the identification of particular
101 taxpayers, reports, or returns and items.

102 I. The Tax Commissioner shall develop guidelines implementing the provisions of this section, including
103 but not limited to the definition of "qualifying expenses" and setting forth the recordkeeping requirements
104 applicable to production companies claiming this credit. Such guidelines shall be exempt from the provisions
105 of the Administrative Process Act (§ 2.2-4000 et seq.).

106 **§ 58.1-609.6. Media-related exemptions.**

107 The tax imposed by this chapter or pursuant to the authority granted in §§ 58.1-605 and 58.1-606 shall not
108 apply to the following:

109 1. Leasing, renting, or licensing of copyright audio or video tapes and films for public exhibition at
110 motion picture theaters or by licensed radio and television stations.

111 2. (i) Broadcasting equipment and parts and accessories thereto and towers used or to be used by
112 commercial radio and television companies, wired or land-based wireless cable television systems, common
113 carriers or video programmers using an open video system or other video platform provided by telephone
114 common carriers, or concerns that are under the regulation and supervision of the Federal Communications
115 Commission and (ii) amplification, transmission, distribution, and network equipment used or to be used by
116 wired or land-based wireless (a) cable television systems, (b) open video systems, or (c) telephone common
117 carriers.

118 3. Any publication issued daily or regularly at average intervals not exceeding three months and
119 advertising supplements and any other printed matter ultimately distributed with or as part of such
120 publications; however, newsstand sales of the same are taxable. As used in this subdivision, the term

121 "newsstand sales" shall not include sales of back copies of publications by the publisher or his agent.
122 4. Catalogs, letters, brochures, reports, and similar printed materials, except administrative supplies, the
123 envelopes, containers, and labels used for packaging and mailing same, and paper furnished to a printer for
124 fabrication into such printed materials, when stored for 12 months or less in the Commonwealth and
125 distributed for use outside the Commonwealth. As used in this subdivision, "administrative supplies" includes
126 letterhead, envelopes, and other stationery and invoices, billing forms, payroll forms, price lists, time cards,
127 computer cards, and similar supplies. Notwithstanding the provisions of subdivision 5 or the definition of
128 "advertising" contained in § 58.1-602, (i) any advertising business located outside the Commonwealth that
129 purchases printing from a printer within the Commonwealth shall not be deemed the user or consumer of the
130 printed materials when such purchases would have been exempt under this subdivision and (ii) from July 1,
131 1995, through June 30, 2002, and beginning July 1, 2002, and ending July 1, 2028, any advertising business
132 that purchases printing from a printer within the Commonwealth shall not be deemed the user or consumer of
133 the printed materials when such purchases would have been exempt under subdivision 3 or this subdivision,
134 provided that the advertising agency shall certify to the Tax Commissioner, upon request, that such printed
135 material was distributed outside the Commonwealth and such certification shall be retained as a part of the
136 transaction record and shall be subject to further review by the Tax Commissioner.
137 5. Advertising as defined in § 58.1-602.
138 6. Beginning July 1, 1995, and ending July 1, ~~2027~~ 2032:
139 a. (i) The lease, rental, license, sale, other transfer, or use of any audio or video tape, film, or other
140 audiovisual work where the transferee or user acquires or has acquired the work for the purpose of licensing,
141 distributing, broadcasting, commercially exhibiting, or reproducing the work or using or incorporating the
142 work into another such work; (ii) the provision of production services or fabrication in connection with the
143 production of any portion of such audiovisual work, including scriptwriting, photography, sound, musical
144 composition, special effects, animation, adaptation, dubbing, mixing, editing, cutting, and provision of
145 production facilities or equipment; or (iii) the transfer or use of tangible personal property, including scripts,
146 musical scores, storyboards, artwork, film, tapes, and other media, incident to the performance of such
147 services or fabrication; however, audiovisual works and incidental tangible personal property described in
148 clauses (i) and (iii) shall be subject to tax as otherwise provided in this chapter to the extent of the value of
149 their tangible components prior to their use in the production of any audiovisual work and prior to their
150 enhancement by any production service; and
151 b. Equipment and parts and accessories thereto used or to be used in the production of such audiovisual
152 works.
153 7. Beginning July 1, 1998, and ending July 1, 2022, textbooks and other educational materials withdrawn
154 from inventory at book-publishing distribution facilities for free distribution to professors and other
155 individuals who have an educational focus.