

Return all applications and attachments to:

Motion Picture Production Tax Incentives Program
Arizona Department of Commerce
1700 W. Washington, Suite 600
Phoenix, AZ 85007

Questions regarding Motion Picture Production
Tax Incentives can be directed to
motionpicture@azcommerce.com

**Arizona Department of Commerce
Motion Picture Production Tax Incentives Program**

**INITIAL APPLICATION FOR CONSTRUCTION OF
AN INFRASTRUCTURE PROJECT
2010 Calendar Year Cap
(For tax incentives under A.R.S. § 41-1517.01)**

Section A. Applicant Information

Applicant Name	_____	FEI Number	_____
Mailing Address	_____	City, State & Zip	_____
AZ Physical Address	_____	City, State & Zip	_____
Contact Name	_____	Contact Phone	_____
Email Address	_____	Contact Fax	_____

Section B. Infrastructure Project Information

Type of project: (Check only one.)

Soundstage Support and Augmentation Facility Priority Placement number of certified soundstage application _____

Provide the physical address where the infrastructure project will be constructed in Arizona?

Please provide a detailed description of the proposed infrastructure project. (Use an attachment if more space is needed.)

Attach a copy of the construction contract, if available.

Attach a copy of the proposed budget for the infrastructure project.

What is the estimated total budget (base investment amount) for the infrastructure project? (Commerce will base the tax credit allocation on this figure.) \$ _____

What is the projected **start date** of construction? (Month, Day, Year) _____

What is the projected **completion date** of construction? (Month, Day, Year) _____

Will the facility be primarily (more than 50%) used for staging and filming the production of motion pictures? ("No" answer indicates ineligibility.) Yes No

Will the applicant own and operate the infrastructure project? ("No" answer indicates ineligibility.) Yes No

Commerce Use Only	
Priority Placement #	_____
Effective Date	_____

Section C. Prime Contractor Information

Prime Contractor Name	_____	FEI Number	_____
Mailing Address	_____	City, State & Zip	_____
Contact Name	_____	Contact Title	_____
Contact Phone	_____	Contact Fax	_____

Section D. Affidavit

As an officer of the company, I certify under penalty of perjury that the information contained herein is true and correct according to my best belief and knowledge after a reasonable investigation of the facts and that the company:

- _____ Will construct an eligible infrastructure project as described in A.R.S. §41-1517.01;
- _____ Assures that any items included in the base investment amount are intended for use by the applicant directly in the infrastructure project;
- _____ Will begin construction within ninety days of the date of pre-approval and provide documentation of expenses to Commerce as described in A.R.S. §41-1517.01(A)(2) and (A)(3);
- _____ Understands that receipt of pre-approval does not guarantee receipt of tax credits under this program;
- _____ Shall allow inspections and audits by Commerce as are reasonably necessary to verify the accuracy of the submitted information;
- _____ Authorizes Commerce and Revenue to adjust, terminate or recapture all or part of the tax incentives for noncompliance with program requirements within 60 months after post-approval;
- _____ Agrees to furnish records of Arizona expenditures to Commerce on request;
- _____ Agrees to submit a Completion Report to Commerce within 30 days of completion of the infrastructure project;
- _____ Agrees to submit an Annual Report to Commerce within 18 months of post-approval;
- _____ (Initial only if constructing a soundstage) Understands it must spend at least \$1,250,000 within twelve-months of pre-approval and provides a surety bond equal to the base investment amount of the soundstage. Further, the applicant must spend a total of at least \$5,000,000 on qualified project costs within 36 months of pre-approval of a soundstage; and
- _____ (Initial only if constructing a support and augmentation facility) Understands it must spend a total of at least \$1,000,000 on qualified project costs within 36 months of pre-approval of a support and augmentation facility.
- _____ In Accordance with ARS §35-397, hereby certifies that the applicant does not have scrutinized business operations in Iran.
- _____ In Accordance with ARS §35-397, hereby certifies that the applicant does not have scrutinized business operations in Sudan.
- _____ Agrees that to be considered complete, the applicant shall provide proof that it is registered with and is participating in the E-Verify program pursuant to ARS § 23-214(B)
<http://www.uscis.gov/portal/site/uscis>

Signature of Authorized Officer

Title

Print Name

Date

Disclaimer: The Arizona Revised Statutes are provided for ease of reference. The complete statutes can be viewed at <http://www.azleg.state.az.us/ArizonaRevisedStatutes.asp>

41-1517.01. Motion picture infrastructure tax incentives; definitions

A. From and after October 31, 2007 through December 31, 2010, the department of commerce shall certify motion picture infrastructure projects in this state for the purpose of tax credits under section 43-1075.01 or 43-1163.01. To qualify for certification:

1. A person must apply to the department. The applicant must be the person who will own and operate the infrastructure project and may be a motion picture production company, as defined in section 41-1517. The application must include:

- (a) The applicant's name and contact information.
- (b) A detailed description of the project.
- (c) A preliminary budget.
- (d) An outline of how the project meets the requirements of this section.
- (e) The projected start and completion dates.
- (f) The name and contact information for the prime contractor, if known.
- (g) A copy of the construction contract, if available.
- (h) An affirmation signed by an executive representing the applicant that:
 - (i) The applicant agrees to furnish records of expenditures on infrastructure projects in this state to the department of commerce on request.
 - (ii) Any items included in its base investment are intended for use by the applicant directly in the infrastructure project.

2. If the application is for a soundstage, after the date the department of commerce approves the application under subsection B of this section, the applicant must spend at least:

- (a) Two hundred fifty thousand dollars in this state directly on project expenses within ninety days.
 - (b) An additional one million dollars in this state directly on project expenses within twelve months.
 - (c) A total of at least five million dollars in this state directly on project expenses within thirty-six months.
3. If the application is for support and augmentation facilities, after the date the department of commerce approves the application under subsection B of this section, the applicant must spend at least:

- (a) Two hundred fifty thousand dollars in this state directly on project expenses within ninety days.
 - (b) A total of at least one million dollars in this state directly on project expenses within thirty-six months.
- B. Within thirty days after submission, the department of commerce shall review each complete application to determine whether the applicant satisfies all of the criteria required by this section. The department may conduct a site visit as part of the review process. This process shall approve an applicant for tax credits under this section based on:

1. Priority placement for credits under this section established by the date the applicant filed its initial application under subsection A of this section.
 2. The availability of tax credit amounts under the dollar limits prescribed by subsection C of this section.
- C. Subject to the limits prescribed in section 41-1517, subsection J, the department of commerce shall not certify income tax credits under this section, computed as fifteen per cent of the total base investment, exceeding a total of:
1. Five million dollars for soundstage projects initially certified in 2008.
 2. If no soundstage project was initially certified in 2008, five million dollars for soundstage projects initially certified in 2009.
 3. If at least one soundstage project was initially certified in 2008:
 - (a) Five million dollars for soundstage projects initially certified in 2009.
 - (b) Seven million dollars for support and augmentation facilities initially certified in 2009 that are associated with certified soundstage projects.
 4. If no soundstage project was initially certified in 2008 or 2009, five million dollars for soundstage projects initially certified in 2010.
 5. If only one soundstage project was initially certified in 2008 or 2009:
 - (a) Five million dollars for soundstage projects initially certified in 2010.
 - (b) Nine million dollars for support and augmentation facilities initially certified in 2010 that are associated with the certified soundstage project.
 6. If more than one soundstage project was initially certified in 2008 or 2009, or both:
 - (a) Five million dollars for soundstage projects initially certified in 2010.
 - (b) Nine million dollars for support and augmentation facilities initially certified in 2010 that are associated with certified soundstage projects.
 7. Three million dollars for a support and augmentation facilities project.

D. After October 31 of each year, if the department has pre-approved the maximum dollar amount of income tax credits under subsection C of this section for the calendar year, the department may accept initial applications for the next calendar year. The pre-approval of any application pursuant to this subsection is not effective before the first business day of the following calendar year.

E. Pre-approval by the department of commerce under subsection B of this section lapses, the application is void and the amount of the pre-approved incentives does not apply against the dollar limit prescribed by subsection C of this section if:

1. Within ninety days after the department pre-approves the company, the company fails to provide documentation of:
 - (a) Its expenditure in this state of the lesser of:
 - (i) Ten per cent of the estimated total base investment amount.
 - (ii) Two hundred fifty thousand dollars.
 - (b) A surety bond equal to the estimated total base investment amount for which the company was pre-approved.
2. For soundstage projects, Within one year after the department pre-approves the company, the company fails to provide documentation of:
 - (a) Total Expenditure in this state of one million two hundred fifty thousand dollars.
 - (b) A surety bond equal to the estimated total base investment amount for which the company was pre-approved.

F. On completion of the motion picture infrastructure project, an applicant that has been pre-approved for income tax credits must apply to the department in writing for approval of the total base investment in the project. If the applicant has met the eligibility requirements of this section, the department shall:

1. Approve the total base investment amount, but the calculated income tax credit shall not exceed the pre-approved amount under this section.
2. Notify the department of revenue that the applicant may claim the income tax credits pursuant to section 43-1075.01 or 43-1163.01 in the amount determined under paragraph 1 of this subsection.

G. The company and all persons signing the application for pre-approval may be disqualified from receiving future tax credits pursuant to this section if, within eighteen months after the date of post-approval under subsection F of this section, the applicant fails to submit a report to the department that includes:

1. A list of activities and productions conducted at the project in the twelve months following post-approval.
2. The amount of any additional capital investment.
3. Any changes to or improvements made to the project since the date of post-approval.

H. Within sixty months after post-approval under subsection F of this section, if the department of commerce determines that a person that received a tax credit pursuant to this section failed to comply with any of the requirements prescribed by this section, the department shall terminate, adjust or recapture all or part of the tax credit. The department of commerce shall notify the department of revenue of the conditions of noncompliance. The department of revenue may also terminate the approval of the credit if it obtains information indicating a failure to qualify and comply. The department of revenue may require the person to:

1. File appropriate amended tax returns reflecting the recapture of the amount of the tax credit actually applied to reduce state income tax liability.
2. Pay a penalty of four and one-half per cent of the amount of the applied credit per month elapsing from the date the penalty is assessed until it is paid, except that the total penalty shall not exceed twenty-five per cent of the full amount of the credit.

I. The department of commerce, with the cooperation of the department of revenue, shall adopt rules and publish and prescribe forms and procedures as necessary to effectuate the purposes of this section.

J. Any information gathered from applicants for the purposes of this section is considered to be confidential taxpayer information and shall be disclosed only as provided in section 41-1517, subsection S and section 42-2003, subsection B, paragraph 12.

K. For the purposes of this section:

1. "Base investment" means the budget for the infrastructure project.

2. "Motion picture" has the same meaning as defined in section 41-1517.

3. "Motion picture infrastructure project", "infrastructure project" and "project":

- (a) Means soundstages and support and augmentation facilities that are constructed in this state and primarily used for motion picture production.

- (b) Does not include motion picture theaters and other commercial exhibition facilities.

4. "Soundstage" means a permanent facility in this state of one or more sets or stages used primarily for staging and filming motion pictures and any land, permanent buildings or capital equipment that is in or adjacent to, and is necessary for the operation of, a soundstage.

5. "Support and augmentation facilities" means permanent facilities in this state that are used to complement motion picture production needs and complement the motion picture production.

6. "Surety bond" means an executed written contract, issued by an insurance company with an insurance industry rating of B+ or better by A.M. Best company guarantying to the financiers of the project that it will be completed according to the terms of the pre-approved application submitted by the production company in its application.