

March 10, 2009

S 525. VIDEO GAME PRODUCER TAX CREDIT. Filed 3/10/09. *TO ALLOW A TAX CREDIT FOR VIDEO GAME PRODUCERS.*

Enacts new GS 105-130.49 in Part 1 of GS Chapter 105, Article 4 (regarding corporation income tax) and enacts new GS 105-151.33 in Part 2 of GS Chapter 105, Article 4 (regarding individual income tax) to provide a tax credit for producers of digital interactive media. Provides the following definitions of terms as they apply in each of the proposed new sections. *Digital interactive media* means products that are intended for commercial use or distribution that are (1) produced for distribution on electronic media, including file downloads over the Internet, (2) contain a computer-controlled virtual universe, and (3) contain an appreciable amount of at least three of the following data types: text, sound, fixed images, animated images, and 3-D geometry. *Qualifying expenses* are the sum total amount spent in North Carolina by a producer of digital interactive media for the purchase or lease of production property and compensation and wages on which withholding payments are made to the Department of Revenue under GS Chapter 105, Article 4A. *Production property* means the tangible personal property and intangible property that is directly used in the production of digital interactive media such as software, computer code, image files, music files, and testing procedures.

Allows a corporation or an individual taxpayer to take a credit against the taxes imposed by Part 1 and Part 2, respectively, of GS Chapter 105, Article 4, equal to 15% of the taxpayer's qualifying expenses. Prohibits the credit from exceeding the amount of tax imposed under Part 1 or Part 2 for the taxable year reduced by the sum of all the credits allowable. Provides that the limit applies to the cumulative amount of credit allowed in any tax year, including carryforwards. Permits any unused portion of an allowed credit under this section to be carried forward for the next succeeding five years. Does not allow a credit for qualifying expenses for the production of digital interactive media that contains obscene material. Requires a taxpayer allowed a credit under proposed GS 105-130.49 or GS 105-151.33 to maintain and make available for inspection any records required by the Secretary of Revenue. Directs that the taxpayer has the burden of proving eligibility for a credit.

Requires the Department of Revenue to publish a report by May 1 of each year containing specified information itemized by taxpayer for the 12-month period ending the preceding December 31.

Repeals the proposed sections for taxable years beginning on or after January 1, 2013.

Effective for taxable years beginning on or after January 1, 2009.

Intro. by Boseman.

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