



**Revenue Ruling
No. 03-003
July 03, 2003**

**Sales and Use Tax
Sales Tax Exclusion Under The Motion Picture Incentive Act**

This Revenue Ruling explains the requirements for obtaining sales and use tax relief granted by the Louisiana Motion Picture Incentive Act, Revised Statute 47:1121 et seq.

Background Information

Act 5 of the 2002 First Extraordinary Session of the Louisiana Legislature amended the Motion Picture Incentive Act to change the sales tax rebate to a sales tax exclusion. The Act also made changes to the definitions of “motion picture” and “motion picture production company.” The changes made by Act 5 include the following:

1. Amended R.S. 47:1123(4) regarding the definition of “motion picture” to mean a nationally distributed feature-length film, video, television series, or commercial made in Louisiana, in whole or in part for theatrical or television viewing or as a television pilot and not the production of television coverage of news and athletic events.
2. Amended R.S. 47:1123(5) regarding the definition of “motion picture production company” to mean a company engaged in the business of producing nationally distributed motion pictures, videos, television series, or commercials intended for a theatrical release or for television viewing. Motion picture production company does not mean any company owned, affiliated, or controlled, in whole or in part, by any company or person that is in default on a loan made by the state or a loan guaranteed by the state.
3. Amended R.S. 47:1124 to provide relief from the payment of state sales and use tax on purchases made in Louisiana in connection with filming or producing a nationally distributed motion picture, video, television series, or commercial. Previously, this section allowed reimbursement for the state taxes paid on these purchases.
4. Enacted R.S. 47:301(10)(a)(vi) to exclude from the definition of “sale at retail” those “purchases made in connection with the filming or production of a motion picture by a motion picture production company which has been relieved from the payment of state sales and use tax under the provisions of ... the Louisiana Motion Picture Incentive Act.” The exclusion may be retroactively revoked if it is determined that the motion picture production company failed to meet the conditions for relief as defined in the Motion Picture Incentive Act.

To qualify for sales and use tax relief under the Louisiana Motion Picture Incentive Act, a motion picture production company must make at least \$250,000 in purchases from Louisiana vendors during a consecutive 12-month period and the expenditures must be made from a checking account at a Louisiana financial institution.

Applications

Motion Picture Production Companies must submit their application for tax relief to the Department of Economic Development, Governor's Office of Film and Television Development¹ in accordance with the Louisiana Motion Picture Incentive Act and the regulations adopted by the Department of Economic Development. If the application is approved, the Governor's Office of Film and Television Development will notify the Department of Revenue, Taxpayer Services Division and the Department of Revenue will issue a Motion Picture Production Exemption Certificate (Form R-1036) to the Motion Picture Production Company. A copy of the certificate must be provided to vendors as evidence of the exemption. The exemption does not apply to local sales and use taxes.

Compliance and Verification

Motion Picture Production Companies must spend at least \$250,000 in Louisiana within a consecutive 12-month period and the expenditures must be paid from a checking account at a Louisiana financial institution. Any amount spent to facilitate the filming of a motion picture by a motion picture production company in Louisiana qualifies toward the \$250,000 purchase requirement. Purchases considered necessary to facilitate filming of a motion picture include, but are not limited to amounts paid to Louisiana vendors for:

- Office space to maintain a Louisiana base of operations;
- Office furniture rental;
- Hotel and dining expenses for cast and crew;
- Catering;
- Equipment rentals;
- General labor services;
- Insurance for production liabilities;
- Attorney fees;
- Flyers and brochures; and
- Social, marketing, or promotional events affiliated with the filming.

Items purchased by the production company for distribution to the cast or crew qualify for the sales and use tax relief. However, private purchases by members of the cast or crew do not.

The Department of Revenue may examine the records of motion picture production companies at any time to verify compliance with the requirements in R.S. 47:1124 and 1125. If it is determined that a company has not met the requirements for state sales and use tax relief, the Motion Picture Production Company will be assessed for all taxes as if the relief had never been granted.

Summary

Requests for relief from the payment of state sales and use tax under the Louisiana Motion Picture Incentive Act must be submitted to the Louisiana Department of Economic

¹ Act 551 of the 2003 Regular Legislative Session abolished the Louisiana Film and Video Commission within the Department of Economic Development and created the Governor's Office of Film and Television Development with its authority. The effective date of Act 551 is August 15, 2003.

Development, Governor's Office of Film and Television Development in accordance with the rules and regulations established by that agency. The Governor's Office of Film and Television Development will notify the Department of Revenue when a motion picture production company has been approved for state sales and use tax relief. The Department of Revenue will issue an exemption certificate to the qualified motion picture production company that must be provided to vendors. The Department of Revenue may audit these companies to determine if they have abided by the terms of the Louisiana Motion Picture Incentive Act. Companies that fail to comply with the terms of the Act will be assessed for any unpaid sales and use tax. Once a motion picture company has spent at least \$250,000 in Louisiana within a consecutive 12-month period, the relief from payment of state sales and use tax will continue until the production is completed.

For more information regarding this topic, taxpayers should contact the Taxpayer Services Division at 225-219-7356.

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Secretary

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