

SENATE BILL NO. 122
(Second Reprint)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 122 (Second Reprint) with my recommendations for reconsideration.

I commend the bill's sponsors for their efforts to restore New Jersey's film tax credit program. The film and digital media industry has the potential to be a dynamic part of New Jersey's economy by promoting union jobs and creating residual economic benefits to local communities. Given the diversity of New Jersey's geography, cultures, and leisure and entertainment options, New Jersey is uniquely suited to compete for nearly any film or television production opportunity. In recent years, this natural advantage has been squandered as productions have increasingly located elsewhere, including in neighboring states like New York and Pennsylvania that offer robust tax incentive programs. Relaunching New Jersey's film tax credit program in a thoughtful and targeted manner will allow New Jersey to regain a competitive footing in the entertainment industry.

While I fully support efforts to incentivize the film and digital media industry in New Jersey, aspects of this bill could be improved upon. First, I am recommending that an additional tax incentive be offered to productions that make significant efforts towards hiring a diverse cast and crew. Specifically, productions will have to put forth a plan that includes specific goals to achieve diversity, and will only receive the additional incentive if the Economic Development Authority verifies that the production has met or made good-faith efforts in achieving those goals. One of New Jersey's greatest strengths is that it is one of the most diverse states in the nation. I want to make the economic opportunities of the film and entertainment industry available to all of our communities, and to ensure that the film and television projects receiving our support reflect the diversity of our State.

Second, while I understand the rationale for generally excluding reality television shows from eligibility for tax credits, I also recognize that not all reality television shows are the same. For instance, those that make substantial capital investments in our communities generate ripple benefits in local economies and create the potential for tourism and sightseeing opportunities. As a result, I am recommending that the bill allow for a reality television show to be eligible for tax credits if the production company of the show commits to owning or leasing a production facility in an Urban Enterprise Zone. I am including certain benchmarks to ensure that the facility is significant in terms of size and capital investment, and to require that the production company be committed to the facility for at least two years. I believe that reality television shows that make this commitment are creating the type of economic benefit to the State that warrants eligibility for the same types of incentives available to other types of productions.

Accordingly, I herewith return Senate Bill No. 122 (Second Reprint) and recommend that it be amended as follows:

- Page 7, Section 1, Line 33: After "show," insert "or"
- Page 7, Section 1, Line 33: Delete "or reality"
- Page 7, Section 1, Line 34: Delete "show,"
- Page 7, Section 1, Line 37: After "purposes" insert ", or a reality show, except if the production company of the reality show owns, leases, or otherwise occupies a production facility of no less than 20,000 square feet of real property for a minimum term of twenty-four (24) months, and invests no less than \$3,000,000 in such a facility within a designated enterprise zone established pursuant to the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et al.), or a UEZ-impacted business district established pursuant to section 3 of P.L.2001, c.347 (C.52:27H-66.2)"
- Page 18, Line 36: Insert new section:
- "4. A taxpayer, upon approval of an application to the authority and the director, shall

be allowed a credit against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) in an amount equal to 2 percent of the qualified film or digital media content production expenses of the taxpayer during a privilege period commencing on or after July 1, 2018 but before July 1, 2023, provided that:

(a) the application is accompanied by a diversity plan outlining specific goals, which may include advertising and recruitment actions, for hiring minority persons and women;

(b) the director and the authority have approved the plan as meeting the requirements established by the director and the authority; and

(c) the director and the authority have verified that the applicant has met or made good-faith efforts in achieving those goals.

The director and the authority shall adopt any rules necessary to implement this provision.

The application shall indicate whether the applicant intends to participate in training, education, and recruitment programs that are organized in cooperation with State colleges and universities, labor organizations, and the motion picture industry and are designed to promote and encourage the training and hiring of New Jersey residents who represent the diversity of the State population."

Page 18, Section 4, Line 37:

Delete "4." and insert "5."

Page 18, Section 5, Line 43:

Delete "5." and insert "6."

Respectfully,

[seal]

/s/ Philip D. Murphy

Governor

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor