

**RULES OF  
THE GEORGIA DEPARTMENT OF ECONOMIC  
DEVELOPMENT**

**CHAPTER 159-1-1  
FILM TAX CREDIT**

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**159-1-1-.01 Available Tax Credits For Film, Video or Interactive Entertainment Production**

(1) Purpose. This rule provides guidance concerning the application and qualification guidelines contained within the Georgia Entertainment Industry Investment Act (hereinafter “Act”) under O.C.G.A. § 48-7-40.26. There are two separate credits made available under the Act: the 20% “Base Tax Credit” and the 10% “Georgia Entertainment Promotion (“GEP”) Tax Credit.” Each of the two available tax credits requires an independent certification application.

(2) Coordination of Agencies. The Georgia Department of Economic Development, (hereinafter “GDEcD”), will determine which projects qualify for the base tax credits authorized under the Act; will evaluate and certify marketing opportunities for the GEP Tax Credit; and will certify tax credit applications. The Georgia Department of Revenue (hereinafter “GDOR”) is the state agency responsible for implementing the proper application of the Film Tax Credits.

(3) Cross-Reference. This rule shall be construed in harmony with the Rules of the Georgia Department of Revenue, Income Tax Division, Chapter 560-7-8, Returns and Collections, Rule 560-7-8-.45, entitled Film Tax Credit, which governs, among other things, the application of financial thresholds and calculations of the tax credits to be allowed.

Authority: O.C.G.A. §48-7-40.26.

**159-1-1-.02 Definitions.**

(1) ‘Alternative Marketing Opportunities’ means GDEcD approved promotions for the state in lieu of the inclusion of the legislated GEP Logo placement in order to receive the 10% uplift.

(2) ‘Certification Letter’ means a letter from GDEcD indicating that the initial requirements to earn the “Base Tax Credit” have been met for the specific project named. If the project has also been certified for the “GEP Tax Credit,” a designation in the certification letter will indicate that the project is so eligible and qualifies for the additional 10% GEP Tax Credit. The Certification Letter shall include a unique credit certificate number.

(3) ‘Commercial Advertisements’ means televised announcements sponsoring or promoting ideas, goods, entertainment projects, or services that are intended for Multimarket Commercial Distribution.

(4) ‘Development’ means any activity or expenses incurred in order to prepare the project for the preproduction phase of the project or production.

(5) ‘Feature Film’ means, but is not limited to, a dramatic, comedic, animated, or documentary film, or high definition digital production with no commercial interruption, and originally intended for Multimarket Commercial Distribution to motion picture theaters, directly to the home video and/or DVD markets, cable television, premium cable, broadcast television, video on demand or streaming services, or advertiser supported sites.

(6) ‘Film Tax Credit’ means the tax credits allowed pursuant to the 2008 Georgia Entertainment Industry Investment Act, O.C.G.A. § 48-7-40.26.

(a) The ‘Base Tax Credit’ means the 20% tax credit for productions that meet the minimum investment threshold in a qualified production, as certified by GDEcD and:

(b) The ‘Georgia Entertainment Promotion Tax Credit’ (“GEP Tax Credit” or “GEP Uplift”) means the additional 10% tax credit which may be obtained for projects as outlined in Rule 159-1-1-.07.

(7) ‘Game Engine’ means the software system or code used to create and develop an interactive game with core functionality that typically includes rendering 2D or 3D graphics, sound, scripting, animation, artificial intelligence, physics, and input.

(8) ‘Game Platform’ means the electronic delivery system used to launch or play the interactive game and includes mobile applications.

(9) ‘Interactive Entertainment’ means products and services produced in Georgia and as defined and approved by GDEcD means those that meet all of the following requirements:

(a) Employs electronics including Game Platforms and Game Engines to create an interactive system with which a user can play;

(b) Contains or creates a computer-controlled virtual universe or simulated environment within which an individual using the program may interact to generate visual feedback and achieve a goal within that universe or environment as determined by the player’s skill and or luck;

(c) Contains at least three of the following six elements: animated graphical images, static graphic images, sound, text, 2d or 3d geometry, scoring/leaderboard/badges/trophies system;

(d) Are not products developed by the Qualified Interactive Entertainment Production Company or developer for internal use;

(e) Meets the requirement of Multimarket Commercial Distribution via digital platforms, including advertiser supported websites, designed for the distribution of interactive games.

(i) Projects eligible for certification include: game types/categories traditionally found in videogame or retail stores or Internet-based social, casual, serious, and social networking games on mobile, console, computer, smart device and television platforms.

(ii) Projects not eligible for certification include, but are not limited to the following: Internet sites that do not meet all of the defined requirements of Interactive Entertainment; streamed linear media such as podcasts or audio; interpersonal communications services such as video conferencing, wireless telecommunications, text-

based channels, chat rooms, broadcast/streamed viewing enhancements; small-scale games embedded and used exclusively in advertising; and marketing and promotional websites or microsites.

(10) ‘Life of the Project’ means from any public screening or release date through all ancillary uses, markets, and distribution channels worldwide, unless an exemption is agreed upon by GDEcD.

(11) ‘Multimarket Commercial Distribution’ means paid commercial distribution with media buys which extend to markets outside the State of Georgia.

(12) ‘Music Video’ means a filmed or digitally recorded song, often portraying musicians performing the song or including visual images interpreting the lyrics.

(13) ‘Preproduction’ means the process of preparation for actual physical production and is considered to begin with the establishment of a dedicated commercial production office, the hiring of key crew members including a Unit Production Manager and/or Line Producer, and includes, but is not limited to, activities such as location scouting, hiring of crew, construction of sets, etc. Preproduction does not include the process of ‘Development’. (See paragraph (3) of this rule)

(14) ‘Presentation’ means the entire Feature Film, Television Pilot, Television Series, Television Film, Single Television episode or episodes, Television Specials, Music Video(s), or Interactive Entertainment Product. This is not the same as a “pre-pilot” demo presentation.

(15) ‘Principal Photography Start Date’ means the first date of principal ongoing filming of significant portions of a qualified film that involves the main lead actor(s) and the director.

(16) ‘Production Company’ is defined as a company that is primarily engaged in qualified production activities which have been approved by GDEcD.

(17) ‘Qualified Interactive Entertainment Production Company’ means a company that satisfies the requirements of O.C.G.A. § 48-7-40.26(b)(10) and which is primarily engaged in qualified production activities related to interactive entertainment which has been approved by GDEcD. “Primarily engaged” means a company whose gross income from qualified production activities related to interactive entertainment which has been approved by GDEcD exceeds 50% of their total gross

income for their taxable year or whose expenses from qualified production activities related to interactive entertainment which has been approved by GDEcD exceeds 50% of their total expenses for their taxable year.

(18) ‘Television Film,’ which may also be known as a ‘Movie of-the-Week,’ ‘MOW,’ ‘Television Special,’ ‘Made for Television Movie,’ ‘TV Movie,’ or ‘TV Miniseries,’ means a production intended for broadcast on television or streaming.

(19) ‘Pilot’ means the initial episode produced for a proposed Series.

(20) ‘Series,’ which may also be known as episodic programming, means a regularly recurring production intended in its initial run for broadcast on television or streaming.

(21) “Streaming” is video content sent in compressed form over the Internet and displayed by the viewer in real time.

(22) ‘Work for Hire’ means an arrangement whereby one production company contracts with another production company to engage in qualified production activities pursuant to a production services agreement. Merely financing or providing funding to a production company does not make the financing/funding company the “hiring” company for purposes of the entertainment tax credit statute. In the instance of co-productions, both companies must provide a written agreement to GDEcD as to which party will be entitled to earn and claim the tax credit. In the instance of a work-for-hire, the hired company will not be eligible for the Entertainment Tax Credit.

Authority: O.C.G.A. §48-7-40.26.

### **159-1-1-.03 Film Tax Credit Certification.**

#### **(1) State Certified Production.**

(a) Project Certification Requirement. Prior to claiming any Film Tax Credit, each new film, video, television or Interactive Entertainment project must be certified as meeting the guidelines and the intent of the Act. Projects are certified by GDEcD on a project-by-project basis. The type of projects eligible to receive the Base Tax Credits are Feature Films, Television Films, Series or Episodes, Pilots or Pre-series Demo presentations, Commercial Advertisements, Music Videos, and Interactive Entertainment Projects as defined and approved by GDEcD. Producers may be asked to provide budget information, funding sources, distribution agreements, production schedules, personnel information,

and any other documentation required by GDEcD. Only one Production Company may claim the tax credit, per project. Beginning on or after January 1, 2018, the maximum total tax credits allowed for Interactive Entertainment companies is \$1.5 million per year for a single company and the maximum total tax credits allowed among all Interactive Entertainment companies is \$12.5 million. The Commissioner of Revenue shall preapprove applications for interactive entertainment tax credits based on a first come, first serve basis. Therefore, certification of interactive entertainment projects does not guarantee that credits will be available. Each project must be applied for and certified individually once the project is fully funded. Certification shall not be used to secure funding. Certification applications for live action film and television projects shall be sent to the Georgia Film office. Certification applications for Interactive Entertainment projects and animation projects should be sent to the Interactive Entertainment and Digital Entertainment Office. Both offices are located at 75 Fifth Street NW, Suite 1200, Atlanta, GA 30308.

(b) **Projects Not Eligible for Certification.** Certain categories of projects do not qualify for the Film Tax Credit or the Georgia Entertainment Promotion including, but not limited to, the following:

1. Live or prerecorded broadcast of athletic events;
2. Live or prerecorded news or current affairs programming covering news that has recently occurred or is ongoing at the time of the broadcast;
3. Local interview or talk shows or other local interest programming not intended for Commercial Multimarket Distribution;
4. Projects and content consisting solely of footage not shot recorded, or originally created in Georgia;
5. Website development;
6. Corporate marketing, industrial, or training productions;
7. Any productions in violation of Title 16 Chapter 12 of the state's Obscenity Statute;
8. Sole platform arcade video games;
9. Small scale games embedded and used exclusively in advertising, marketing and promotional websites or microsites;
10. Infomercials, Infotainment, or Solicitation-based productions;
11. Certain instructional or how-to-video based content and programming, as determined by GDEcD;
12. Political or Editorial-based content programming;

13. Any expenditure made or incurred outside the state of Georgia, and projects that do not meet the requisite base investment requirement;
14. Marketing or political campaigns;
15. Internet sites and digital media projects that do not meet all of the defined requirements of Interactive Entertainment; interpersonal communications services such as video conferencing, wireless telecommunications, text-based channels, chat rooms, or broadcast/streamed viewing enhancements.
16. Live concerts or events that are not filmed for purposes of multimarket commercial distribution and rebroadcast;
17. Film or television Projects created for a limited audience, including, but not limited to museum presentations;
18. Film or program intended primarily for industrial, corporate or institutional end-users;
19. Any Project that falls outside of industry standards; and
20. Any Project where filming is merely incidental or ancillary to the primary purpose of the Project.

(c) Certification Letter. Projects that meet the certification requirements will be sent a Certification Letter with a project certification number and the tax credit percentage level for which the project is eligible. GDEcD shall use reasonable efforts to make a certification decision and, if appropriate, provide the Certification Letter to the Production Company within sixty (60) days of the submission of the application; provided however, that if such Certification Letter is not sent within this sixty (60) day period, the production company may, in its sole discretion, deem its application to be denied, and begin the appeals process outlined in Rule 159-1-1-.08. Projects that are denied and fail to appeal within the thirty (30) day timeframe cannot reapply. In the instance of co-productions, both companies must provide an agreement as to which party will earn the tax credits. In the instance of a work-for-hire, the work-for-hire company will not be eligible for the Film Tax Credit. If a film or television project is certified, but does not begin filming within thirty (30) days of the submitted schedule, a retraction of the Certification Letter may be issued. Amendments to the application must be made in writing to GDEcD. A Certification Letter for each project claiming tax credits must be included, along with required GDOR Forms, with the production company's Georgia tax return when claiming the tax credit.

Authority: O.C.G.A. §48-7-40.26.

**159-1-1-.04 Film Tax Credit Certification Application Process.**

(1) For all feature films and television projects to be considered for approval, film and television production companies or studios must submit a completed certification application with a shooting script not earlier than ninety (90) days prior to the Principal Photography Start Date but before the completion of principal photography. Producers of Interactive Entertainment products and services must submit a synopsis of each project along with a certification application not earlier than ninety (90) days before the beginning of Interactive Entertainment production. Music video producers must submit a basic outline of the storyline elements along with a completed certification application not earlier than thirty (30) days prior to the scheduled Principal Photography Start Date. Commercial production companies must submit a listing of the television commercial(s) being produced and a completed certification application(s) not earlier than (30) days prior to the Principal Photography Start Date.

(2) Projects should strive to be completed within a single tax year. However, for a project that is not completed within the applicant's tax year (fiscal year or calendar year), a new project certification must be applied for each successive tax year. A Certification Letter must be obtained for each project for each year that tax credits are claimed. A single project cannot span more than two tax years. This two tax year limitation on a single project shall not apply to projects for animation or interactive entertainment. This rule applies to all multi-year entertainment productions that qualify for the Tax Credits including, but not limited to, Feature Films, Series, other television productions, and Interactive Entertainment Products.

(3) All projects must be fully funded and have an existing Multimarket Commercial Distribution contract, or intend in good faith to seek such distribution outside the State of Georgia, in order to qualify for the Film Tax Credit. Qualified distribution includes international, national or regional distribution via broadcast television, satellite television, cable television, movie theaters, video on demand, retail outlets, streaming, home video, online video game subscription distribution, DVD sales and distribution, or an advertiser supported website.

Authority: O.C.G.A. §48-7-40.26.

**159-1-1-.05 Qualified Productions & Production Activities.**

(1) The Base Tax Credit applies to all qualified and certified entertainment productions, as determined solely by GDEcD, including Feature Films, Pilots or Pre-Series Demo Presentations, Series, Television

Films, Specials, Episodes, Commercial Advertisements; Music Videos and Interactive Entertainment products which have been approved and certified by GDEcD.

(2) Production Companies must create, produce, and record original content made in the State of Georgia in whole or in part to qualify for the Film Tax Credit. Production Companies that act as a conduit to enable other production companies' projects to qualify for the Film Tax Credit that would not otherwise be eligible on their own will not be certified for Film Tax Credits. Work-for-hire service companies, including postproduction houses, catering companies, equipment rental houses, and motion picture laboratories are not eligible to receive the Film Tax Credit, but the Production Companies employing them may include these expenditures as part of their project expenses.

(3) Studios designing platforms for outside game developers are not eligible for the Film Tax Credit; however, the studio that buys these platforms from a Georgia vendor may claim them as an expense toward the production of a video game project.

(4) Expenditures incurred in Georgia for postproduction are qualified only on the portion of the project that was shot, recorded, or originally created in whole or in part in the state. Postproduction of footage shot outside the state is not a qualified production expenditure under O.C.G.A. § 48-7-40.26. However, post-production companies may pursue tax credits subject to the requirements of O.C.G.A. § 48-7-40.26A so long as the postproduction expenditure was not claimed as a tax credit by a production company under this code section.

(5) Expenditures for the development phase of projects do not qualify for the Film Tax Credit. Projects must have entered 'Preproduction' in order for expenditures to qualify for the Film Tax Credit.

(6) Qualified Commercial Advertisements are eligible for the base Film Tax Credit; however, such commercial advertisements are not eligible for the GEP Tax Credit.

(7) Any misrepresentation or material change of project information without written notification to GDEcD or GDOR or the submission of project documentation that does not adhere to industry standards may result in denial or revocation of certification.

Authority: O.C.G.A. §48-7-40.26.

**159-1-1-.06 Georgia Entertainment Promotion Tax Credit.**

(1) The GEP Tax Credit is available only for projects specified in Rule 159-1-1-.07 and which have been approved and certified by GDEcD.

(2) GEP Tax Credit certification applications must be submitted to GDEcD. To qualify, projects must opt to include the GEP Logo and a link to <http://www.exploregeorgia.org/film> in the promotional website as outlined in O.C.G.A. §48-7-40.26 from any point of initial public screening, or they may offer Alternative Marketing Opportunities of equal or greater marketing value to the State. Applications will be reviewed and signed agreements will be executed. The GEP Logo and link may not be used in a project without prior written GDEcD approval. Projects that are not eligible or approved for the GEP Tax Credit may still be eligible for the Base Film Tax Credit. Once all agreed upon obligations have been met, GDEcD will issue a letter confirming fulfillment. If an applicant has claimed the GEP Tax Credit, fails to fulfill all of the obligations of the GEP Logo and link, or the Alternative marketing agreement, or for any Projects other than Interactive Entertainment Projects, fails to provide proof of completion to GDEcD within 24 months from the end of principal photography, the GEP Tax Credit certification will be disallowed.

(3) If the producers of movie content, television content, music video content or interactive game content opt to include the GEP Logo in their project and a link to <http://www.exploregeorgia.org/film> in the promotional website as outlined in O.C.G.A. §48-7-40.26, GDEcD will make available various versions of the GEP Logo and the link to each qualified GEP Tax Credit applicant at no charge. The GEP Logo will only be provided to applicants that GDEcD has certified as meeting the requirements to receive the GEP Tax Credit. The GEP Logo may not be used in a project without prior written GDEcD approval. Furthermore, it is required that each qualified GEP tax credit applicant utilizing the logo to fulfill the GEP Tax Credit requirements submit the required placement of the GEP Logo in the completed film, television production, music video or Interactive Entertainment Production to GDEcD. If the inclusion of the GEP Logo is prohibited by the Children's Television Act, or any other local, state or federal government policy, or if a pilot does not go to series and will not be aired, or if the production company cannot, for any reason, fulfill the placement requirements, GDEcD will offer acceptable alternatives to allow the GEP tax credit to the applicant and the greatest level of promotion for the state of Georgia. The GEP Logo or agreed upon alternative marketing must be utilized for the life of the project, beginning with any public screening.

(4) If the GEP Logo or agreed upon alternative marketing promotion has not been fulfilled within twenty-four months of the end of principal photography, the GEP Tax Credit will be retracted. In the event the marketing alternatives agreement terms are not agreed upon and the project is not distributed to multiple markets outside the state of Georgia, the GEP Tax Credit will be disallowed. Both logo requirements and Alternative Marketing Opportunities must be for the life of the project, beginning with any public screening.

Authority: O.C.G.A. §48-7-40.26.

### **159-1-1-.07 Qualified Productions for GEP Tax Credit**

(1) ‘Qualified Movie Production’ means a Feature Film that has been granted certification by GDEcD. Feature Films must include a shooting script for review along with their Film Tax Credit certification application and GEP application (if applicable). After completion of the project, a digital copy of the project containing the five-second long GEP Logo before the below the line crew crawl and the address of the promotional website must be sent to GDEcD for review. If alternative marketing agreements have been made with GDEcD, proof of fulfillment must be forwarded to GDEcD within twenty-four (24) months from the end of principal photography, or the GEP Tax Credit will be disallowed.

(2) ‘Qualified TV Production’ means Pilot or Pre-Series Demo Presentation, Series (in whole or in part), Television Films, and specials that have been given certification by GDEcD. Television productions must include a shooting script for review with the GEP application. After completion of the project, a digital copy of the project containing the required GEP Logo with the address of the promotional website must be sent to GDEcD for review. To qualify for the GEP Tax Credit, the production must include a five (5) second Georgia promotional logo in the body of the program; to be placed in the opening title sequence; as a bumper into or out of a commercial break; or in a prominent position in each single project’s end credits with no less than a half screen exposure and not over content. If alternative marketing agreements have been made with GDEcD, proof of fulfillment must be forwarded to GDEcD within twenty-four (24) months from the end of principal photography, or the GEP Tax Credit will be disallowed.

(3) ‘Qualified Music Video’ means music video projects certified by GDEcD. To qualify for the GEP Tax Credit, a minimum of a five second Georgia logo exposure must occur at the end of the finished product, as well as in all units sold, and included in all online promotions. After completion of the project, a digital copy of the project containing the

required GEP Logo and link must be set to GDECD for review. If alternative marketing agreements have been made with GDEcD, proof of fulfillment must be forwarded to GDEcD within twenty-four (24) months from the end of principal photography, or the GEP Tax Credit will be disallowed. Music video producers must provide a song lyric sheet and general outline of the storyboard of the music video in advance of production or prior to approval of the GEP certification. Demonstrated Multimarket Commercial Distribution outside the state of Georgia is required.

(4) ‘Qualified Interactive Game’ means Interactive Entertainment products and services that meet the requirements of this chapter, but does not include Prereleased Games.

(5) To qualify for the GEP Tax Credit, interactive entertainment products and services must include a total of fifteen (15) seconds of Georgia promotional logo exposure in units sold, and up to a three (3) second GEP Logo adjacency in all online promotions. The fifteen (15) second requirement may be aggregated and met through up to three (3) separate and distinct displays of the GEP Logo throughout the interactive entertainment product totaling fifteen (15) seconds. Prereleased Games do not qualify for the GEP Tax Credit. Placement of the GEP Logo within an Interactive Entertainment Products & Services must be discussed in advance with GDEcD. Interactive Entertainment developers must provide a synopsis of the game or Interactive product including architecture, navigation and story plotlines before the project can be certified. If alternative marketing agreements have been made with GDEcD, proof of fulfillment must be forwarded to GDEcD within twenty-four (24) months from the end of principal photography, or the GEP Tax Credit will be disallowed.

(6) In all cases, GDEcD will have authority for the certification of all projects; the denial of certification for any project; the denial of certification of the GEP Tax Credit; the agreed upon type, style, length and placement of the GEP Logo, and the settlement of all disputes regarding the GEP Tax Credit.

(7) Every effort will be made to negotiate in good faith with applicants at all times in order to provide the greatest level of promotion, economic impact, and jobs creation for the state of Georgia.

Authority: O.C.G.A. §48-7-40.26.

**159-1-1-.08 Appeals Process.**

(1) If the authorized applicant's certification application is disapproved by GDEcD or the approved applicant disagrees with the type of tax credits granted by GDEcD, or if GDEcD fails to provide the applicant with a certification decision within the sixty (60) day period, the applicant shall have the right to appeal. In the case of a disapproval of a certification application, an appeal may be made by sending a letter to the General Counsel, Georgia Department of Economic Development, 75 Fifth Street, NW, Suite 1200, Atlanta, Georgia 30308, within thirty (30) days from the date of issuance of the denial letter by GDEcD. In the case of an appeal from a disagreement of the percentage of tax credit issued, such appeal shall be made by sending a letter to the same address as listed above within thirty (30) days from the issuance of the certificate of tax credit. Failure to request an appeal within thirty (30) days will finalize the denial decision and/or the percentage of the tax credit, and reapplications will not be accepted.

(2) Upon receipt of a timely letter of appeal, the General Counsel will address the merits of the appeal and the nature of the dispute with the Commissioner of GDEcD, who will make the final decision. GDEcD shall issue a final opinion and order on the appeal within sixty (60) days of receipt of a timely appeal.

(3) Any further appeals must be made before the Office of State Administrative Hearings.

Authority: O.C.G.A. §48-7-40.26.

**159-1-1-.09 Effective Date.** This chapter as amended shall be applicable to taxable years beginning on or after January 1, 2018. Taxable years beginning before January 1, 2018 will be governed by the regulations of Chapter 159-1 as they exist before January 1, 2018 in the same manner as if the amendments set forth in this chapter had not been promulgated.

Authority: O.C.G.A. §48-7-40.26.