



**House Economic Development and Tourism Reported
Substitute for HB373**

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5 A BILL

6 TO BE ENTITLED

7 AN ACT

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9 Relating to the Entertainment Industry Incentive Act of
10 2009; to amend Sections 41-7A-1, 41-7A-42, 41-7A-43, as last
11 amended by Act 2024-406 of the 2024 Regular Session, and
12 Section 41-7A-48, Code of Alabama 1975, to rename the Alabama
13 Film Office the Alabama Entertainment Office; to increase the
14 maximum expenditure threshold eligible for a rebate; to
15 include music albums as a qualified production; to set minimum
16 expenditure limits for music albums to qualify for incentives;
17 to increase the annual cap on incentives; to set aside a
18 portion of the incentives annually for music albums; and to
19 allow a portion on unspent incentives to be carried
20 forward.

21 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

22 Section 1. Sections 41-7A-1, 41-7A-42, 41-7A-43, as
23 last amended by Act 2024-406 of the 2024 Regular Session, and
24 Section 41-7A-48, Code of Alabama 1975, are amended as
25 follows:

26 "§41-7A-1

27 On September 1, 1995, the management of the Alabama
28 FilmEntertainment Office shall be vested in a director who



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29 shall be appointed by the secretary of the department and
30 shall serve at his or her pleasure. The salary shall be
31 established by the secretary of the department and approved by
32 the Governor. The director shall have the same rights,
33 privileges, benefits, and membership status in the Employees'
34 Retirement System as other unclassified employees in the state
35 service."

36 "§41-7A-42

37 For purposes of this article, the following terms have
38 the following meanings:

39 (1) COMPANY. A corporation, partnership, limited
40 liability company, or any other business entity.

41 (2) DEPARTMENT. The Alabama Department of Commerce.

42 (3) ENTERTAINMENT INDUSTRY. Those persons or entities
43 engaged in the production of entertainment content as defined
44 under paragraph (8)a.

45 (4) EXPENDED IN ALABAMA. In the case of tangible
46 property, property which is acquired or leased from a source
47 within the State of Alabama; in the case of services, services
48 performed for a qualified production project in the State of
49 Alabama.

50 (5) OFFICE. The Alabama FilmEntertainment Office.

51 (6) PAYROLL. All salary, wages, and other compensation,
52 including related benefits, including specifically, but not
53 limited to, compensation and benefits provided to resident and
54 nonresident producers, directors, writers, actors, and other
55 personnel involved in qualified production projects in
56 Alabama.



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57 For the purpose of the production expenditures rebate
58 computed under §41-7A-43, other compensation includes payments
59 to a loan-out company by a production company only if the
60 production company withheld and remitted Alabama income tax at
61 the rate of 5% on all payments to the loan-out company for
62 services performed in this state. The amount withheld and
63 remitted to the Alabama Department of Revenue is considered to
64 be an estimated income tax payment made on behalf of the
65 loan-out company.

66 (7) PRODUCTION EXPENDITURES.

67 a. The term includes preproduction, production, and
68 postproduction expenditures incurred in the State of Alabama
69 that are directly used in a state-certified production,
70 including, but not limited to, the following: Set construction
71 and operation, wardrobe, makeup, set accessories, and related
72 services; costs associated with photography and sound
73 synchronization, lighting, and related services and materials;
74 editing and related services; rental of facilities and
75 equipment; leasing of vehicles; costs of food and lodging;
76 costs of catering; digital or tape editing, film processing,
77 transfer of film to tape or digital format; transfer direct to
78 DVD, cable, or satellite for distribution; sound mixing,
79 special and visual effects including duplication, film
80 processing digital, DVD, music composition, and satellite
81 distribution; total aggregate payroll; music; airfare;
82 insurance costs of bonding; or other similar production
83 expenditures as determined by rule or regulation.

84 b. The term includes financial contributions or



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85 educational or workforce development in partnership with
86 related educational institutions, or local industry
87 organizations, or both, contributed toward the furtherance of
88 the local entertainment media industries.

89 c. The term does not include postproduction
90 expenditures for marketing or any amounts that are paid to
91 persons or entities as a result of their participation in
92 profits from the exploitation of a motion picture production.

93 (8) QUALIFIED PRODUCTION.

94 a. The term means entertainment content created in
95 whole or in part within the state, including motion pictures;
96 soundtracks for motion pictures; documentaries; long-form,
97 specials, miniseries, series, sound recordings, music albums,
98 videos and music videos, and interstitials television
99 programming; interactive television; interactive games; video
100 games; commercials; infomercials; any format of digital media,
101 including an interactive website that is intended for national
102 or international distribution or exhibition to the general
103 public; and any trailer, pilot, video teaser, or demo created
104 primarily to stimulate the sale, marketing, promotion, or
105 exploitation of future investment in either a product or a
106 qualified production via any means and media in any digital
107 media format, film, or videotape, provided such program meets
108 all the underlying criteria of a qualified production.

109 b. The term does not include any ongoing television
110 program created primarily as news, weather, or financial
111 market reports, a production featuring current events,
112 sporting events, an awards show or other gala event, a



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113 production whose sole purpose is fundraising, a long-form
114 production that primarily markets a product or service, a
115 production used for corporate training or in-house corporate
116 advertising or other similar productions; nor does the term
117 include any production for which records are required to be
118 maintained under 18 U.S.C. § 2257 with respect to sexually
119 explicit content; nor does the term mean or include any form
120 of gambling, gaming, wagering, or pari-mutuel wagering
121 activity or enterprise.

122 (9) QUALIFIED PRODUCTION COMPANY.

123 a. The term means a company engaged in the business of
124 producing a qualified production, as that term is defined.

125 b. The term does not mean or include any company owned,
126 affiliated, or controlled, in whole or in part, by any company
127 or person that is in default on a loan.

128 (10) RESIDENT OF ALABAMA. A natural person and, for the
129 purpose of determining eligibility for the incentives provided
130 by this article, any person domiciled in the State of Alabama
131 and any other person who maintains a permanent place of abode
132 within the state and spends in the aggregate more than six
133 months of each year within the State of Alabama.

134 (11) STATE-CERTIFIED PRODUCTION. A qualified production
135 approved by the office, produced by a qualified production
136 company."

137 "§41-7A-43

138 (a) Beginning January 1, 2009, a qualified production
139 company shall be entitled to a rebate for production
140 expenditures, as defined in Section 41-7A-42(7), related to a



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141 state-certified production. The rebate shall be equal to 25
142 percent of the state-certified production's production
143 expenditures excluding payroll paid to residents of Alabama
144 plus 35 percent of all payroll paid to residents of Alabama
145 for the state-certified production, provided the total
146 production expenditures for a project must equal or exceed at
147 least five hundred thousand dollars (\$500,000), but no rebate
148 shall be available for production expenditures incurred after
149 the first twenty-five million dollars
150 ~~(\$20,000,000)~~ (\$25,000,000) of production expenditures expended
151 in Alabama on a state-certified production.

152 (b) A single episode in a television series or
153 miniseries may be considered a single production project for
154 purposes of this section. However, in determining the total
155 production expenditures incurred by a qualified production
156 company on a qualified production, the total production
157 expenditures of a television series or miniseries, whether a
158 single season or multiple seasons thereof, to be filmed within
159 a period of 12 consecutive months, each individual episode of
160 which separately and independently meets the definition of a
161 qualified production, may be aggregated to meet the monetary
162 requirements set forth in subsection (a) as long as each
163 individual episode within the series pertains to the same
164 subject as the other episodes in the series.

165 (c) A single commercial may be considered a single
166 production project for purposes of this section. However, in
167 determining the total production expenditures incurred by a
168 qualified production company on a qualified production, the



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169 total production expenditures of a series of commercials to be
170 filmed within a period of 12 consecutive months, each of which
171 separately and independently meets the definition of a
172 qualified production, may be aggregated to meet the monetary
173 requirements set forth in subsection (a) as long as each
174 individual commercial within the series pertains to the same
175 subject as the other commercials in the series and was planned
176 as part of a series of commercials to be filmed within a
177 period of 12 consecutive months at the time the qualified
178 production company applied for the incentives.

179 (d) A qualified production company shall be entitled to
180 the rebate for production expenditures as provided in
181 subsection (a) for a qualified project that is limited only to
182 the production of a soundtrack used in a motion picture or
183 documentary, provided that the production expenditures for the
184 soundtrack project must equal or exceed at least fifty
185 thousand dollars (\$50,000), but no rebate shall be available
186 for production expenditures incurred after the first three
187 hundred thousand dollars (\$300,000) of production expenditures
188 expended in Alabama.

189 (e) A qualified production company shall be entitled to
190 the rebate for production expenditures as provided in
191 subsection (a) for a qualified project that is limited only to
192 the production of a music video, provided that the production
193 expenditures for the music video equal or exceed fifty
194 thousand dollars (\$50,000), but no rebate shall be available
195 for production expenditures incurred after the first two
196 hundred thousand dollars (\$200,000) of production expenditures



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197 expended in Alabama.

198 (f) A qualified production company shall be entitled to
 199 the rebate for production expenditures as provided in
 200 subsection (a) for a qualified project that is limited only to
 201 the production of a music album, provided that the production
 202 expenditures for the music album equal or exceed thirty
 203 thousand dollars (\$30,000), but no rebate shall be available
 204 for production expenditures incurred after the first two
 205 hundred thousand dollars (\$200,000) of production expenditures
 206 expended in Alabama.

207 ~~(f)~~ (g) The rebate described in this section may be
 208 applied to offset any income tax liability applicable to a
 209 qualified production company for the tax year in which
 210 production activity in Alabama on the state-certified
 211 production concludes.

212 ~~(g)~~ (h) If the rebate available under this section
 213 exceeds a qualified production company's Alabama income tax
 214 liability for the tax year in which production activity in
 215 Alabama concludes on the state-certified production, the
 216 excess of the rebate over a qualified production company's
 217 Alabama income tax liability shall be rebated to the qualified
 218 production company.

219 ~~(h)~~ (i) The department and the Commissioner of the
 220 Department of Revenue shall adopt rules necessary to
 221 administer this section."

222 "§41-7A-48

223 ~~(a) For the fiscal year ending September 30, 2009, the~~
 224 ~~aggregate cap of incentives granted under this article shall~~



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225 ~~not exceed five million dollars (\$5,000,000) for all qualified~~
 226 ~~production companies. For the fiscal year ending September 30,~~
 227 ~~2010, the aggregate cap of incentives granted under this~~
 228 ~~article shall not exceed seven million five hundred thousand~~
 229 ~~dollars (\$7,500,000) for all qualified production companies.~~
 230 ~~For fiscal years ending September 30, 2011, and September 30,~~
 231 ~~2012, the aggregate cap of incentives granted under this~~
 232 ~~article shall not exceed ten million dollars (\$10,000,000) for~~
 233 ~~all qualified production companies. For the fiscal year ending~~
 234 ~~September 30, 2013, the aggregate cap of incentives granted~~
 235 ~~under this article shall not exceed fifteen million dollars~~
 236 ~~(\$15,000,000). For the fiscal year ending September 30, 2014,~~
 237 ~~the aggregate cap of incentives granted under this article~~
 238 ~~shall not exceed fifteen million dollars (\$15,000,000) and for~~
 239 ~~all subsequent fiscal years thereafter~~For the fiscal year
 240 ending September 30, 2015, through the fiscal year ending
 241 September 30, 2025, the aggregate cap of incentives granted
 242 under this article shall not exceed twenty million dollars
 243 (\$20,000,000) for all qualified production companies. For the
 244 fiscal year ending September 30, 2026, and all subsequent
 245 fiscal years, the aggregate cap of incentives granted under
 246 this article shall not exceed thirty million dollars
 247 (\$30,000,000) for all qualified production expenditures.

248 (b) For the fiscal year ending September 30, 2026, and
 249 all subsequent fiscal years, two million dollars (\$2,000,000)
 250 of the amounts in subsection (a) shall be reserved for music
 251 albums. In the event applications are not received and
 252 incentives are not allocated for music albums by July 1 of



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253 each year, the funds may be used for rebates to other
254 qualified production companies.

255 (c) Any unspent incentives under this article in a
256 fiscal year shall be carried over to the following fiscal
257 year, provided that the total amount carried over in any
258 fiscal year does not exceed three million dollars
259 (\$3,000,000)."

260 Section 2. This act shall become effective on October
261 1, 2025.