

# STATE OF NEW YORK

10694

## IN ASSEMBLY

September 9, 2022

Introduced by COMMITTEE ON RULES -- (at request of M. of A. Magnarelli)  
-- read once and referred to the Committee on Ways and Means

AN ACT to amend the tax law, the economic development law and the state finance law, in relation to providing a production tax credit for electronic sporting events; and providing for the repeal of certain provisions upon expiration thereof

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The tax law is amended by adding a new section 45-a to read  
2 as follows:

3 § 45-a. Electronic sporting event production credit. (a) Allowance of  
4 credit. (1) A taxpayer that is subject to tax under article nine-A or  
5 twenty-two of this chapter that is a production entity engaged in  
6 production of electronic sporting events, or who is a sole proprietor of  
7 or a member of a partnership, that is a qualified production entity  
8 engaged in production of electronic sporting events, that incurs at  
9 least two hundred fifty thousand dollars of qualified production costs  
10 with respect to an electronic sports production, shall be allowed a  
11 credit against such tax to be computed as provided herein for taxable  
12 years beginning on or after January first, two thousand twenty-three and  
13 before January first, two thousand twenty-eight.

14 (2) The amount of the credit shall be the product (or pro rata share  
15 of the product, in the case of a taxpayer who is a partner in a partner-  
16 ship, member of a limited liability company or shareholder in a subchap-  
17 ter S corporation) of twenty-five percent and the qualified production  
18 costs of one or more electronic sporting events. Such credit shall be  
19 computed based on all of the production costs incurred with respect to a  
20 completed electronic sporting event, regardless of whether such costs  
21 were incurred prior to the taxable year in which the electronic sporting  
22 event is completed. With respect to an electronic sports television  
23 series, the entire season of episodes of such series shall be considered  
24 one event.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 (3) The amount of credit allowed under this section shall not exceed  
2 twenty million dollars with respect to any one electronic sporting  
3 event.

4 (b) Definitions. As used in this section:

5 (1) "Electronic sporting event" or "Esports event" means a scheduled  
6 form of organized multiplayer video game competition, particularly  
7 between professional players, individually or as teams, organized by an  
8 amateur, collegiate, or professional organization, institution, or asso-  
9 ciation for live or tape-delayed broadcast. Esports event does not  
10 include: (i) news or current affairs program, interview or talk program,  
11 network promos, i.e., commercials promoting television series or movies,  
12 "how-to" (i.e., instructional) commercial or program, commercial or  
13 program consisting entirely of stock footage, trailers promoting theat-  
14 rical films, sporting event or sporting program, game show, award cere-  
15 mony, daytime drama (i.e., daytime "soap opera"), or "reality" program,  
16 or (ii) a production for which records are required under section 2257  
17 of title 18, United States code, to be maintained with respect to any  
18 performer in such production (reporting of books, commercials, etc. with  
19 respect to sexually explicit conduct).

20 (2) "Production costs" means any costs incurred for property used and  
21 services performed directly and predominantly in the production of an  
22 Esports event in New York, including but not limited to any wages or  
23 salaries required to be withheld by the production company pursuant to  
24 section six hundred seventy-one of this chapter and any other compen-  
25 sation paid to an employee or contractor of the production company for  
26 work performed in New York, including any per diem, stipend, or living  
27 allowance; the costs of any permits, licenses and insurance necessary  
28 for the production of the Esports event; the cost of any rentals or  
29 leases of equipment or facilities necessary for the production of the  
30 Esports event; and similar expenses paid or incurred in the course of  
31 the production, provided that with respect to any tangible property with  
32 a purchase price of twenty-five thousand dollars or more, the amount to  
33 be included shall be the purchase price of such property less the fair  
34 market value of such property on the date the production is completed.  
35 Production costs shall not include compensation in excess of one million  
36 dollars paid to any one specific individual. Salaries or other income  
37 distribution related to production of an Esports event for any person  
38 who serves in the role of chief executive officer, chief financial offi-  
39 cer, president, treasurer or similar position shall not be included if  
40 the production entity has more than ten employees. Salaries or other  
41 income to a person serving in such a role for the production entity  
42 shall also not be included if the person was employed by a related  
43 person of the production entity within sixty months of the date the  
44 production entity applied for the tax credit certificate described in  
45 subdivision (c) of this section. For purposes of the preceding sentence,  
46 a related person shall have the same meaning as the term "related  
47 person" in section four hundred sixty-five of the internal revenue code.  
48 Up to twenty million dollars in production costs per production shall be  
49 used in the calculation of this credit. Production costs shall not  
50 include those costs used by the taxpayer or another taxpayer as the  
51 basis calculation of any other tax credit allowed under this chapter.

52 (3) "Qualified production costs" means production costs only to the  
53 extent such costs are attributable to the use of property or the  
54 performance of services by any persons within the state directly and  
55 predominantly in the production of an Esports event. Such total  
56 production costs incurred and paid in this state shall be equal to or

1 exceed seventy-five percent of total cost of an eligible production  
 2 incurred and paid within and without this state.

3 (4) "Production entity" means a corporation, partnership, limited  
 4 partnership or other entity or individual engaged in the production of  
 5 Esports events.

6 (5) "Video game" means electronic or computerized game software that  
 7 users manipulate through interactive devices to generate images on a  
 8 display screen.

9 (c) To be eligible for the Esports production credit, the taxpayer  
 10 shall have been issued a certificate of tax credit by the department of  
 11 economic development, which certificate shall set forth the amount of  
 12 the credit that may be claimed and the taxable year in which it shall be  
 13 claimed. The taxpayer shall be allowed to claim only the amount listed  
 14 on the certificate of tax credit for that taxable year. In order to  
 15 properly administer this credit, the department shall be allowed to  
 16 exchange information with the department of economic development about  
 17 the taxpayers claiming this credit, including information about the tax  
 18 credits claimed. A taxpayer that is a partner in a partnership, member  
 19 of a limited liability company or shareholder in a subchapter S corpo-  
 20 ration that has received a certificate of tax credit shall be allowed  
 21 its pro rata share of the credit earned by the partnership, limited  
 22 liability company or subchapter S corporation. The taxpayer shall claim  
 23 the tax credit in the taxable year that begins in the year for which it  
 24 is allocated credit under this section.

25 (d) Cross-references. For application of the credit provided for in  
 26 this section, see the following provisions of this chapter:

27 (1) Article nine-A: section two hundred ten-B, subdivision  
 28 fifty-five-a.

29 (2) Article twenty-two: section six hundred six, subsection (i), para-  
 30 graph one, subparagraph (B), clause (xix).

31 (3) Article twenty-two: section six hundred six, subsection (ooo).

32 § 2. Section 210-B of the tax law is amended by adding a new subdivi-  
 33 sion 55-a to read as follows:

34 55-a. Electronic sporting event production credit. (a) Allowance of  
 35 credit. A taxpayer who is eligible pursuant to section forty-five-a of  
 36 this chapter shall be allowed a credit to be computed as provided in  
 37 such section forty-five-a against the tax imposed by this article.

38 (b) Application of credit. The credit allowed under this subdivision  
 39 for any taxable year shall not reduce the tax due for such year to less  
 40 than the amount prescribed in paragraph (d) of subdivision one of  
 41 section two hundred ten of this article. Provided, however, that if the  
 42 amount of the credit allowable under this subdivision for any taxable  
 43 year reduces the tax to such amount, the excess shall be treated as an  
 44 overpayment of tax to be credited or refunded in accordance with the  
 45 provisions of section one thousand eighty-six of this chapter, provided,  
 46 however, no interest shall be paid thereon.

47 § 3. Subparagraph (B) of paragraph 1 of subsection (i) of section 606  
 48 of the tax law is amended by adding a new clause (xix) to read as  
 49 follows:

50 <u>(xix) Electronic sporting</u>	<u>Amount of credit under</u>
51 <u>event production credit</u>	<u>subdivision fifty-five-a of</u>
52 <u>under subsection (ooo)</u>	<u>section two hundred ten-B</u>

53 § 4. Section 606 of the tax law is amended by adding a new subsection  
 54 (ooo) to read as follows:

(ooo) Electronic sporting event production credit. (1) Allowance of credit. A taxpayer who is eligible pursuant to section forty-five-a of this chapter shall be allowed a credit to be computed as provided in such section forty-five-a against the tax imposed by this article.

(2) Application of credit. If the amount of the credit allowable under this subsection for any taxable year exceeds the taxpayer's tax for such year, the excess shall be treated as an overpayment of tax to be credited or refunded as provided in section six hundred eighty-six of this article, provided, however, that no interest shall be paid thereon.

(3) With regard to certificates of tax credit issued, the commissioner of economic development shall reduce by one-half of one percent the amount of credit allowed to a taxpayer and this reduced amount shall be reported on a certificate of tax credit issued pursuant to this section and the regulations promulgated by the commissioner of economic development to implement this credit program.

(4) By January thirty-first of each year, the commissioner of economic development shall report to the comptroller the total amount of such reductions of tax credit during the immediately preceding calendar year. On or before March thirty-first of each year, the comptroller shall transfer without appropriations from the general fund to the Esports training and development fund established under section ninety-seven-bbbbb of the state finance law an amount equal to the total amount of such reductions reported by the commissioner of economic development for the immediately preceding calendar year.

§ 5. The economic development law is amended by adding a new section 242-a to read as follows:

§ 242-a. Reports on electronic sporting events in New York. 1. The empire state development corporation shall file a report on a biannual basis with the director of the division of the budget and the chairpersons of the assembly ways and means committee and senate finance committee. The report shall be filed no later than thirty days before the mid-point and the end of the state fiscal year. The first report shall cover the calendar half year that begins on January first, two thousand twenty-four. Each report must contain the following information for the covered calendar half year:

(a) the total dollar amount of credits allocated pursuant to section forty-five-a of the tax law during the half year, broken down by month;

(b) the number of Esports events, which have been allocated tax credits of less than one million dollars per event, and the total dollar amount of credits allocated to those events;

(c) the number of Esports events, which have been allocated tax credits of more than one million dollars, and the total dollar amount of credits allocated to those events;

(d) a list of each eligible Esports production entity, which has been allocated a tax credit enumerated pursuant to section forty-five-a of the tax law, and for each of those productions, (i) the estimated number of employees associated with the production, (ii) the estimated qualifying costs for the production, (iii) the estimated total costs of the production, (iv) the credit eligible employee hours for each production, and (v) total wages for such credit eligible employee hours for each production; and

(e) (i) the name of each taxpayer allocated a tax credit for each project and the county of residence or incorporation of such taxpayer or, if the taxpayer does not reside or is not incorporated in New York, the state of residence or incorporation; however, if the taxpayer claims a tax credit because the taxpayer is a member of a limited liability

1 company, a partner in a partnership or a shareholder in a subchapter S  
2 corporation, the name of each limited liability company, partnership or  
3 subchapter S corporation earning any of those tax credits must be  
4 included in the report instead of information about the taxpayer claim-  
5 ing the tax credit, (ii) the amount of tax credit allocated to each  
6 taxpayer; provided however, if the taxpayer claims a tax credit because  
7 the taxpayer is a member of a limited liability company, a partner in a  
8 partnership or a shareholder in a subchapter S corporation, the amount  
9 of tax credit earned by each entity must be included in the report  
10 instead of information about the taxpayer claiming the tax credit, and  
11 (iii) information identifying the project associated with each taxpayer  
12 for which a tax credit was claimed under section forty-five-a of the tax  
13 law.

14 2. The empire state development corporation shall file a report on a  
15 triennial basis with the director of the division of the budget and the  
16 chairpersons of the assembly ways and means committee and senate finance  
17 committee. The first report shall be filed no later than March first,  
18 two thousand twenty-five. The report must be prepared by an independent  
19 third party auditor and include: (a) information regarding the Esports  
20 production credit program including the efficiency of operations, reli-  
21 ability of financial reporting, compliance with laws and regulations and  
22 distribution of assets and funds; (b) an economic impact study prepared  
23 by an independent third party of the program with special emphasis on  
24 the regional impact by region and the total dollar amount of credits  
25 allocated to those projects distributed by region pursuant to subdivi-  
26 sion (b) of section forty-five-a of the tax law; and (c) any other  
27 information or statistical information that the commissioner of economic  
28 development deems to be useful in analyzing the effects of the programs.

29 § 6. The state finance law is amended by adding a new section 97-bbbbbb  
30 to read as follows:

31 § 97-bbbbbb. Electronic sports training and development fund. 1. There  
32 is hereby established in the joint custody of the commissioner of taxa-  
33 tion and finance and the comptroller, a special fund to be known as the  
34 electronic sports training and development fund or the "Esports training  
35 and development fund".

36 2. Such fund shall consist of the funds transferred by the comptroller  
37 to the fund from the general fund without appropriation, as determined  
38 under subsection (ooo) of section six hundred six of the tax law. Noth-  
39 ing contained herein shall prevent the state from receiving grants,  
40 gifts, or bequests for the fund and depositing them into the fund  
41 according to law.

42 3. Monies in the fund shall be expended only for job creation and  
43 training programs approved by the commissioner of economic development  
44 that support efforts to recruit, hire, promote, retain, develop and  
45 train a diverse and inclusive workforce as production company employees  
46 in the electronic sporting event industry within the state of New York  
47 including, but not limited to, those programs that promote development  
48 in economically distressed areas of the state. The commissioner of  
49 economic development shall promulgate regulations that set forth rele-  
50 vant definitions, minimum standards, and criteria for such fund and  
51 eligible training programs.

52 4. Monies shall be payable from the fund on the audit and warrant of  
53 the comptroller on vouchers approved and certified by the commissioner  
54 of economic development.

55 § 7. This act shall take effect immediately and shall apply to taxable  
56 years beginning on January 1, 2023 and before January 1, 2029; provided

1 that sections one through four of this act shall expire and be deemed  
2 repealed December 31, 2028.