

STATE OF NEW YORK

4107

2021-2022 Regular Sessions

IN SENATE

February 2, 2021

Introduced by Sen. BRESLIN -- read twice and ordered printed, and when printed to be committed to the Committee on Budget and Revenue

AN ACT to amend the tax law and the economic development law, in relation to the creation of the empire state digital gaming media production credit; 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 to read
2 as follows:

3 § 45. Empire state digital gaming media production credit. (a) Allow-
4 ance of credit. (1) A taxpayer which is a digital gaming media
5 production entity engaged in qualified digital gaming media production,
6 or who is a sole proprietor of or a member of a partnership, which is a
7 digital gaming media production entity engaged in qualified digital
8 gaming media production, and is subject to tax under article nine-A or
9 twenty-two of this chapter, shall be allowed a credit against such tax
10 to be computed as provided herein.

11 (2) The amount of the credit shall be the product (or pro rata share
12 of the product, in the case of a member of a partnership or limited
13 liability company) of twenty-five percent and the eligible production
14 costs of one or more qualified digital gaming media productions.

15 (3) Eligible digital gaming media production costs for a qualified
16 digital gaming media production incurred and paid in this state but
17 outside such metropolitan commuter transportation district shall be
18 eligible for a credit of ten percent of such eligible production costs
19 in addition to the credit specified in paragraph two of this subdivi-
20 sion.

21 (4) Eligible production costs shall not include those costs used by
22 the taxpayer or another taxpayer as the basis calculation of any other
23 tax credit allowed under this chapter or allowed in any other state.

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

LBD08744-01-1

1 (b) Allocation of credit. The aggregate amount of tax credits allowed
2 under this section, subdivision fifty-five of section two hundred ten-B
3 and subsection (kkk) of section six hundred six of this chapter in any
4 taxable year shall be fifty million dollars. The aggregate amount of
5 credits for any taxable year must be distributed on a regional basis as
6 follows: twenty-five percent of the aggregate amount of credits shall be
7 available for qualified digital gaming media productions that incur at
8 least sixty percent of eligible production costs for a qualified digital
9 gaming media production in region one; ten percent of the aggregate
10 amount of credits shall be available for qualified digital gaming media
11 productions that incur at least sixty percent of eligible production
12 costs for a qualified digital gaming media production in region two; and
13 sixty-five percent of the aggregate amount of credits shall be available
14 for qualified digital gaming media productions that incur at least sixty
15 percent of eligible production costs for a qualified digital gaming
16 media production in region three. If such regional distribution is not
17 fully allocated in any taxable year, the remainder of such credits shall
18 be available for allocation to any region in the subsequent tax year.
19 For the purposes of this section region one shall contain the city of
20 New York; region two shall contain the counties of Westchester, Rock-
21 land, Nassau and Suffolk; and region three shall contain any county not
22 contained in regions one and two. Such credit shall be allocated by the
23 empire state development corporation among taxpayers in order of priori-
24 ty based upon the date of filing an application for allocation of
25 digital gaming media production credit with such office. If the total
26 amount of allocated credits applied for in any particular year exceeds
27 the aggregate amount of tax credits allowed for such year under this
28 section, such excess shall be treated as having been applied for on the
29 first day of the subsequent taxable year.

30 (c) Definitions. As used in this section:

31 (1) "Qualified digital gaming media production" means: (i) a website,
32 the digital media production costs of which are paid or incurred predo-
33 minately in connection with (A) video simulation, animation, text,
34 audio, graphics or similar gaming related property embodied in digital
35 format, and (B) interactive features of digital gaming (e.g., links,
36 message boards, communities or content manipulation); (ii) video or
37 interactive games produced primarily for distribution over the internet,
38 wireless network or successors thereto; (iii) animation, simulation or
39 embedded graphics digital gaming related software intended for commer-
40 cial distribution regardless of medium; and (iv) a digital gaming media
41 production in which qualified digital gaming media production costs
42 equal to or are in excess of seven thousand five hundred dollars if
43 incurred and paid in this state in twelve months preceding the date on
44 which the credit is claimed. Provided, however, if such production costs
45 are incurred and paid outside the metropolitan commuter transportation
46 district in this state, such production costs shall be equal to or in
47 excess of three thousand seven hundred fifty dollars to be a qualified
48 digital gaming media production for purposes of this paragraph. A quali-
49 fied digital gaming media production does not include a website, video,
50 interactive game or software that is used predominately for: electronic
51 commerce (retail or wholesale purposes other than the sale of video or
52 interactive games), gambling (including activities regulated by a New
53 York gaming agency), exclusive local consumption for entities not acces-
54 sible by the general public including industrial or other private
55 purposes, and political advocacy purposes.

1 (2) "Digital gaming media production costs" means any costs for prop-
2 erty used and wages or salaries paid to individuals directly employed
3 for services performed by those individuals directly and predominantly
4 in the creation of a digital gaming media production or productions.
5 Digital gaming media production costs include but shall not be limited
6 to payments for property used and services performed directly and
7 predominantly in the development (including concept creation), design,
8 production (including concept creation), design, production (including
9 testing), editing (including encoding) and compositing (including the
10 integration of digital files for interaction by end users) of digital
11 gaming media. Digital gaming media production costs shall not include
12 expenses incurred for the distribution, marketing, promotion, or adver-
13 tising content generated by end-users or other costs not directly and
14 predominantly related to the creation, production or modification of
15 digital gaming media. In addition, salaries or other income distribution
16 related to the creation of digital gaming media for any person who
17 serves in the role of chief executive officer, chief financial officer,
18 president, treasurer or similar position shall not be included as
19 digital gaming media production costs. Furthermore, any income or other
20 distribution to any individual who holds an ownership interest in a
21 digital gaming media production entity shall not be included as digital
22 gaming media production costs.

23 (3) "Qualified digital gaming media production costs" means digital
24 gaming media production costs only to the extent such costs are attrib-
25 utable to the use of property or the performance of services by any
26 persons within the state directly and predominantly in the creation,
27 production or modification of digital gaming related media. Such total
28 production costs incurred and paid in this state shall be equal to or
29 exceed seventy-five percent of total cost of an eligible production
30 incurred and paid within and without this state.

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

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

34 (2) Article twenty-two: section six hundred six, subsection (i), para-
35 graph one, subparagraph (B), clause (xlvi).

36 (3) Article twenty-two: section six hundred six, subsection (kkk).

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

39 55. Empire state digital gaming media production credit. (a) Allowance
40 of credit. A taxpayer who is eligible pursuant to section forty-five of
41 this chapter shall be allowed a credit to be computed as provided in
42 such section forty-five against the tax imposed by this article.

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

52 § 3. Subparagraph (B) of paragraph 1 of subsection (i) of section 606
53 of the tax law is amended by adding a new clause (xlvi) to read as
54 follows:

1	<u>(xlvi) Empire state digital</u>	<u>Amount of credit</u>
2	<u>gaming media production</u>	<u>under subdivision</u>
3	<u>credit under subsection (kkk)</u>	<u>fifty-five of section</u>
4		<u>two hundred ten-B</u>

5 § 4. Section 606 of the tax law is amended by adding a new subsection
6 (kkk) to read as follows:

7 (kkk) Empire state digital gaming media production credit. (1) Allow-
8 ance of credit. A taxpayer who is eligible pursuant to section forty-
9 five of this chapter shall be allowed a credit to be computed as
10 provided in such section forty-five against the tax imposed by this
11 article.

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

17 § 5. The state commissioner of economic development, after consulting
18 with the state commissioner of taxation and finance, shall promulgate
19 regulations by December 31, 2022 to establish procedures for the allo-
20 cation of tax credits as required by subdivision (a) of section 45 of
21 the tax law. Such rules and regulations shall include provisions
22 describing the application process, the due dates for such applications,
23 the standards which shall be used to evaluate the applications, the
24 documentation that will be provided to taxpayers substantiate to the New
25 York state department of taxation and finance the amount of tax credits
26 allocated to such taxpayers, under what conditions all or a portion of
27 this tax credit may be revoked, and such other provisions as deemed
28 necessary and appropriate. Notwithstanding any other provisions to the
29 contrary in the state administrative procedure act, such rules and regu-
30 lations may be adopted on an emergency basis if necessary to meet such
31 December 31, 2022 deadline.

32 § 6. The economic development law is amended by adding a new section
33 242 to read as follows:

34 § 242. Reports on the digital gaming industries in New York. 1. The
35 empire state development corporation shall file a report on a biannual
36 basis with the director of the division of the budget and the chair-
37 persons of the assembly ways and means committee and senate finance
38 committee. The report shall be filed no later than thirty days before
39 the mid-point and the end of the state fiscal year. The first report
40 shall cover the calendar half year that begins on January first, two
41 thousand twenty-four. Each report must contain the following informa-
42 tion for the covered calendar half year:

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

45 (b) the number of digital gaming projects, which have been allocated
46 tax credits of less than one million dollars per project, and the total
47 dollar amount of credits allocated to those projects distributed by
48 region pursuant to subdivision (b) of section forty-five of the tax law;

49 (c) the number of digital gaming projects, which have been allocated
50 tax credits of more than one million dollars, and the total dollar
51 amount of credits allocated to those projects distributed by region
52 pursuant to subdivision (b) of section forty-five of the tax law;

53 (d) a list of each eligible digital gaming project, which has been
54 allocated a tax credit enumerated by region pursuant to subdivision (b)
55 of section forty-five of the tax law, and for each of those projects,

56 (i) the estimated number of employees associated with the project, (ii)

1 the estimated qualifying costs for the projects, (iii) the estimated
2 total costs of the project, (iv) the credit eligible employee hours for
3 each project, and (v) total wages for such credit eligible employee
4 hours for each project; and

5 (e) (i) the name of each taxpayer allocated a tax credit for each
6 project and the county of residence or incorporation of such taxpayer
7 or, if the taxpayer does not reside or is not incorporated in New York,
8 the state of residence or incorporation; however, if the taxpayer claims
9 a tax credit because the taxpayer is a member of a limited liability
10 company, a partner in a partnership or a shareholder in a subchapter S
11 corporation, the name of each limited liability company, partnership or
12 subchapter S corporation earning any of those tax credits must be
13 included in the report instead of information about the taxpayer claim-
14 ing the tax credit, (ii) the amount of tax credit allocated to each
15 taxpayer; provided however, if the taxpayer claims a tax credit because
16 the taxpayer is a member of a limited liability company, a partner in a
17 partnership or a shareholder in a subchapter S corporation, the amount
18 of tax credit earned by each entity must be included in the report
19 instead of information about the taxpayer claiming the tax credit, and
20 (iii) information identifying the project associated with each taxpayer
21 for which a tax credit was claimed under section forty-five of the tax
22 law.

23 2. The empire state development corporation shall file a report on a
24 triennial basis with the director of the division of the budget and the
25 chairpersons of the assembly ways and means committee and senate finance
26 committee. The first report shall be filed no later than March first,
27 two thousand twenty-five. The report must be prepared by an independent
28 third party auditor and include: (a) information regarding the empire
29 state digital gaming production credit program including the efficiency
30 of operations, reliability of financial reporting, compliance with laws
31 and regulations and distribution of assets and funds; (b) an economic
32 impact study prepared by an independent third party of the program with
33 special emphasis on the regional impact by region and the total dollar
34 amount of credits allocated to those projects distributed by region
35 pursuant to subdivision (b) of section forty-five of the tax law; and
36 (c) any other information or statistical information that the commis-
37 sioner of economic development deems to be useful in analyzing the
38 effects of the programs.

39 § 7. This act shall take effect immediately and shall apply to taxable
40 years beginning on January 1, 2022 and before January 1, 2027; provided
41 that sections one through four of this act shall expire and be deemed
42 repealed December 31, 2026.