## GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2005

H HOUSE DRH70633-LY-333 (5/9)

	Short Titl	le: V	ideo Ga	me Producer Tax Credit.	(Public)
	Sponsors: Representative Gibson.			tative Gibson.	
	Referred to:				
1	A BILL TO BE ENTITLED				
2	AN ACT TO ALLOW A TAX CREDIT FOR VIDEO GAME PRODUCERS.				
3	The General Assembly of North Carolina enacts:				
4	<b>SECTION 1.</b> Part 1 of Article 4 of Chapter 105 of the General Statutes is				
5	amended by adding a new section to read:				
6	"§ 105-130.48. Credit for producers of digital interactive media.				
7	<u>(a)</u>		itions. – The following definitions apply in this section:		
8		<u>(1)</u>		l interactive media. – Products that are intended for c	
9				distribution and that satisfy each of the conditions li	
10				ction. The term does not include products that are in	_
11			communications services such as videoconferencing, wireless		
12			communications, text-based channels, or chat rooms.		
13			<u>a.</u>	The product is produced for distribution on electron	<u>onic media,</u>
14				including file downloads over the Internet.	
15			<u>b.</u>	The product contains a computer-controlled virtua	al universe
16				with which users may interact in order to achieve a go	<u>oal.</u>
17			<u>c.</u>	The product contains an appreciable amount of at least	ast three of
18				the five following types of data: text, sound, fix	ed images,
19				animated images, and 3D geometry.	
20		<u>(2)</u>	Qualifying expenses. – The sum of the total amount spent in this State		
21			for the following by a producer of digital interactive media in		
22			connection with the production of digital interactive media:		
23			<u>a.</u>	Production property purchased or leased.	
24			<u>b.</u>	Compensation and wages on which withholding pa	yments are
25				remitted to the Department of Revenue under Article	4A of this
26				Chapter.	

- Production property. Tangible personal property and intangible property that is directly used in the production of digital interactive media. The term includes such items as software, computer code, image files, music files, scripts and plays, concept mock-ups, software tools, and testing procedures.
  - (b) Credit. A taxpayer that produces digital interactive media is allowed a credit against the taxes imposed by this Part equal to fifteen percent (15%) of the taxpayer's qualifying expenses. The credit allowed by this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable. This limitation applies to the cumulative amount of a credit allowed in any tax year, including carryforwards. Any unused portion of a credit allowed under this section may be carried forward for the next succeeding five years.
  - (c) <u>Limitation. No credit is allowed under this section for qualifying expenses</u> with respect to digital interactive media that contain material that is obscene, as defined in G.S. 14-190.1.
  - (d) Substantiation. A taxpayer allowed a credit under this section must maintain and make available for inspection any information or records required by the Secretary. The taxpayer has the burden of proving eligibility for a credit and the amount of the credit.
  - (e) Report. The Department must publish by May 1 of each year the following information, itemized by taxpayer for the 12-month period ending the preceding December 31:
    - (1) The qualifying expenses for which a credit was claimed, classified by whether the expenses were production property or compensation or wages.
    - (2) The number of people employed in the State with respect to credits claimed.
    - (3) The total cost to the General Fund of the credits claimed.
  - (f) Sunset. This section is repealed for taxable years beginning on or after January 1, 2011."

**SECTION 2.** Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

## "§ 105-151.30. Credit for producers of digital interactive media.

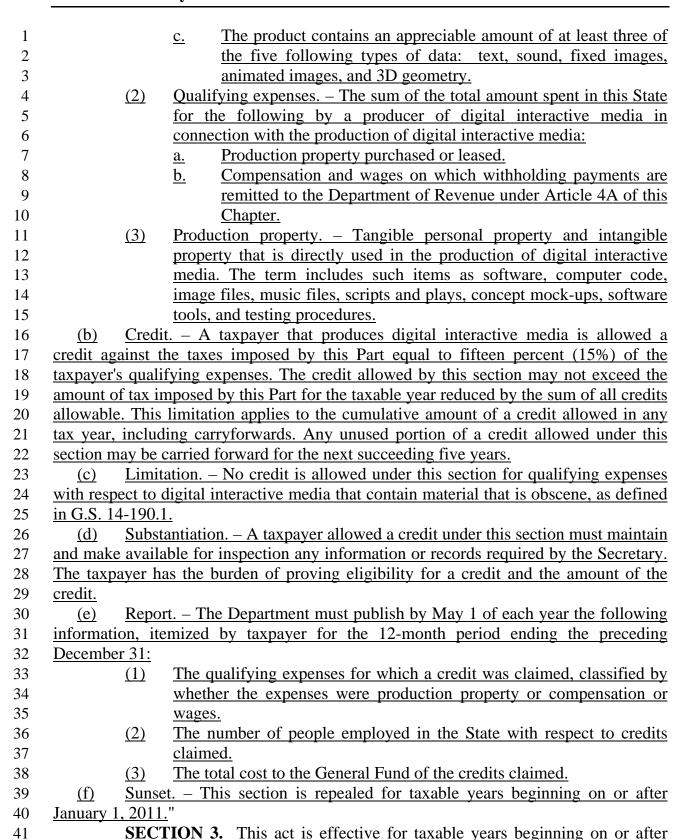
- (a) <u>Definitions. The following definitions apply in this section:</u>
  - (1) Digital interactive media. Products that are intended for commercial use or distribution and that satisfy each of the conditions listed in this subsection. The term does not include products that are interpersonal communications services such as videoconferencing, wireless communications, text-based channels, or chat rooms.
    - a. The product is produced for distribution on electronic media, including file downloads over the Internet.
    - b. The product contains a computer-controlled virtual universe with which users may interact in order to achieve a goal.

Page 2

H2157 [Filed]

42

January 1, 2006.



H2157 [Filed] Page 3