

# MEDIA PRODUCTION DEVELOPMENT ZONE ACT

## THE BIG PICTURE

Texas is working to strengthen its already-existing moving image production industry in the face of strong competition from other states. Key assets in this effort are soundstages and other production facilities, and the state needs more of them in order for this industry to grow.

So to encourage their construction, the state offers a [two-year exemption from sales and use taxes](#) normally charged on the construction, maintenance, expansion, improvement, renovation, and equipping of a production facility.

The incentive is called a MPDZ exemption, administered by the Texas Film Commission.

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## THE PLAYERS

**REQUESTOR** – The person, usually a business, who is willing and financially able to construct, expand, improve, or renovate a media production facility on property they own or lease long-term. Once certified to receive the exemption by both the Nominating Body and the State, the Requestor is referred to as a “Qualified Person.”

**NOMINATING BODY** – The city council or county commissioners court that governs the territory in which the Requestor’s land is located. The Nominating Body is responsible for recognizing a media development zone within their territory, nominating the land as a media production location, and submitting the exemption application to the state on behalf of the Requestor.

**THE STATE** – The Texas Film Commission administers the MPDZ exemption program. After receiving an economic impact analysis from the Comptroller of Public Accounts and a favorable recommendation from its industry advisory committee, the TFC approves development zones recognized by, and designates production locations nominated by, a Nominating Body.

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## KEY TERMINOLOGY

### REGION

- a grouping of counties in one of the Comptroller's 12 economic regions

### ZONE

- an area within jurisdiction of Nominating Body that meets certain population and production criteria
- recognized by Nominating Body, approved by State
- no more than 10 in state, no more than 5 in any one region

### LOCATION

- land or other real property, in a zone, that will be used exclusively to build, construct, renovate, or improve one or more facilities
- nominated by Nominating Body, designated by State
- requires an economic impact analysis
- no more than 3 per zone

### FACILITY

- a structure, building, or room used specifically for creating a moving image project

### PERSON

- a business that will build, construct, renovate, or expand one or more facilities within 18 months of being certified by both Nominating Body and State

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## ELIGIBLE PROJECTS

To request a sales and use tax exemption on the construction or renovation of a media production facility:

- You must own (or lease for at least four years)<sup>1</sup> the land/building where the proposed media production facility will be built or renovated.
- The proposed facility must be used exclusively for the creation of moving image projects.<sup>2</sup> Acceptable media production facilities include: soundstage, motion capture studio, animation facility, game facility, sound studio, scoring stage, editing facility, production office, construction space, and storage space.<sup>3</sup> A facility that consists mainly of office or construction and storage space will be scrutinized closely to ensure it complies with this requirement.

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<sup>1</sup> MPDZ Rules, Admin Code §123.2(6)

<sup>2</sup> MPDZ Act, Government Code §485A.102

<sup>3</sup> §485A.002(1)

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## HOW TO APPLY

Fill out a Request for Exemption form (available from the Texas Film Commission) and submit it to your project's Nominating Body. You will need to attach the following documents to support and justify your request:<sup>4</sup>

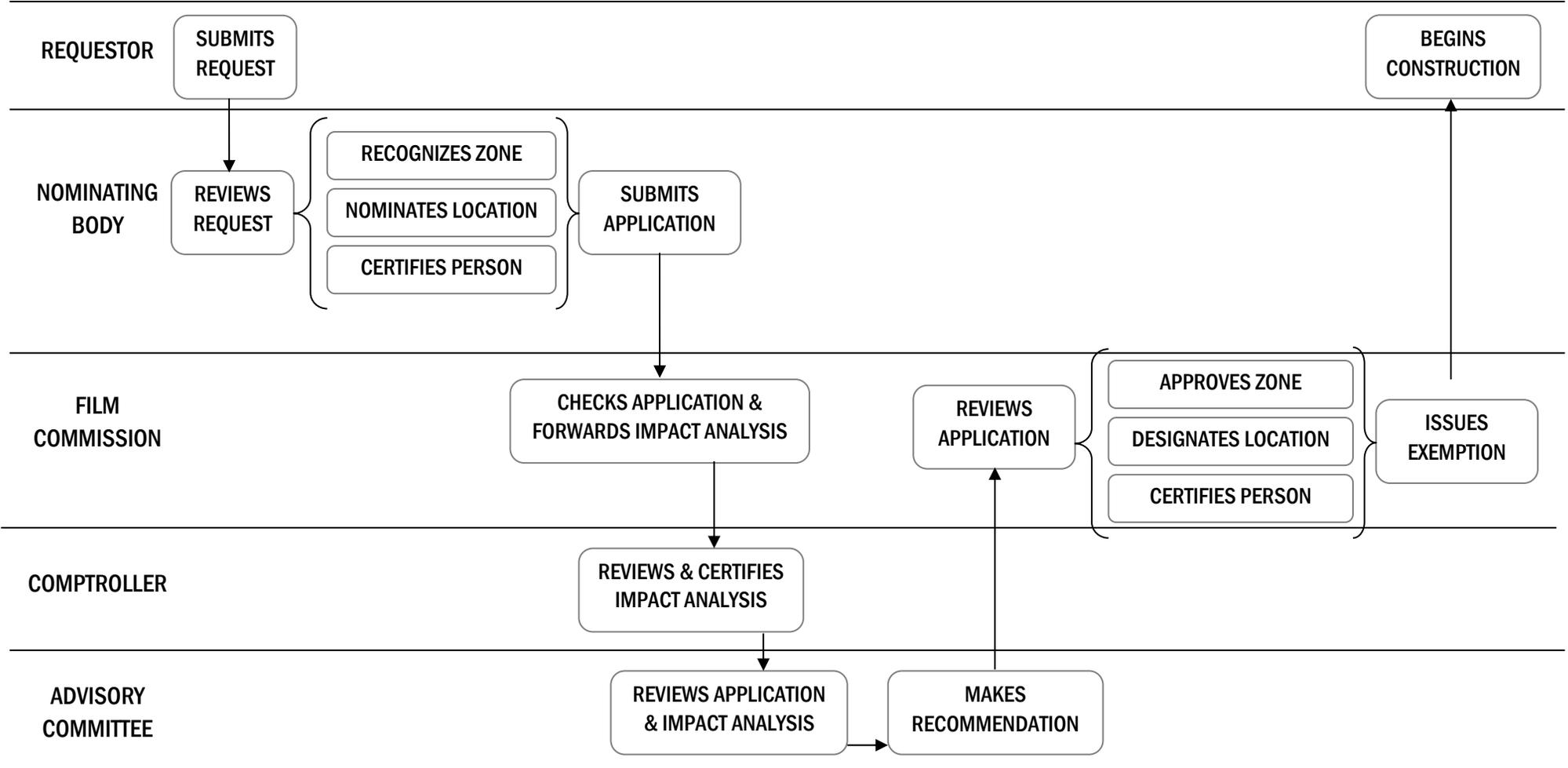
- a specific and detailed description of the project
- a site plan for the proposed media production location
- a floor plan for the proposed media production facility
- an itemized budget for the project
- a schedule of media production equipment (as opposed to physical plant equipment and fixtures) to be bought, rented, or leased for use specifically and exclusively in the proposed media production facility
- an economic impact analysis
- a financial statement and background information on Requestor

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<sup>4</sup> Rules §123.3(b)

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## THE APPLICATION PROCESS



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## WHAT IS THE ECONOMIC IMPACT ANALYSIS?

A MPDZ exemption cannot be granted unless the Comptroller of Public Accounts certifies that the project will have a positive impact on state revenue.<sup>5</sup> The Comptroller's office makes this determination, in part, by reviewing the economic impact analysis you will include with your request.

You will need to contract with an economic expert to prepare an analysis report showing the economic impact of your proposed project. This person should be independent of you and your organization, and is considered an expert because of their specialized knowledge, skill, experience, training or education in the subjects of economics and state and local taxation.<sup>6</sup>

The state does not maintain a list or registry so you are free to use the economic expert of your choosing.

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<sup>5</sup> Act §485A.109(b)

<sup>6</sup> Rules §123.7

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## COMPLETION DEADLINE

The clock on your exemption ‘starts ticking’ on the date you are certified by the Texas Film Commission as a “qualified person” to receive the MPDZ exemption.

You should show substantial “follow through on the commitments [to construct or renovate a facility]” before the first 12 months or your tax exemption may be revoked.<sup>7</sup> Construction or renovation must be substantially complete within 18 months.<sup>8</sup> To allow time to finish outstanding but minor issues (e.g. “punch list” items), the tax exemption expires 24 months from certification.<sup>9</sup>

If your tax exemption is revoked, you will owe the unpaid sales and use taxes.<sup>10</sup>

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<sup>7</sup> Act §485A.252(b)(2)

<sup>8</sup> Act §485A.201

<sup>9</sup> Act §485A.203

<sup>10</sup> While Act §485A.112 partially protects the tax exemptions of qualified persons if either the underlying zone approval or location designation is removed, this protection does not apply to the certification of a qualified person.

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## WHAT IF I HAVE BEGUN CONSTRUCTION?

The Texas Film Commission would like to be informed of your project and its progress. However, the MPDZ program is a prospective tax exemption, rather than a retrospective tax refund. Thus, construction costs incurred on a project before being certified as a “qualified person” are not eligible to receive the MPDZ exemption.

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## HOW DO I GET THE PROCESS STARTED?

Call us at 512-463-9200.

Tell us a little about your project, and we will answer all your questions.

Then, we will email you the Request for Exemption form and put you in touch with the right contact for your Nominating Body.

