

15% HEADQUARTERS PROGRAM

This incentive is administered through the Department of Revenue.

This 15% incentive is calculated upon Qualified Tennessee Expenses that are necessary for the production of a theatrical film or television show in Tennessee. In order to qualify for the 15% incentive the production company must be headquartered in Tennessee and it or its subsidiary must incur at least \$1,000,000 in qualified expenses in the state.

QUALIFICATIONS

- Production Company must establish a permanent headquarters facility in Tennessee.
- If the qualified production company does not have a headquarters facility, then any qualified investor that has a Tennessee headquarters may qualify for the incentive. The qualified investor shall be allowed an incentive equal to the amount of incentive that the production company would have been entitled to had it established a headquarters facility, multiplied by the qualified investor's percentage ownership interest in the qualified production company.
- Production Company must incur at least \$1,000,000 in qualified expenses. "Qualified expenses" means those expenses incurred in Tennessee that both the Commissioner of Revenue and the Commissioner of Economic and Community Development determine, in their sole discretion, are necessary for the production of a theatrical film or television show in Tennessee that is in the best interests of this state. For purposes of this subsection, "best interests of this state" includes, but is not limited to, a determination that production of the film does not require that records be maintained pursuant to 18 U.S.C. Section 2257 with respect to any performer portrayed in the film.
- In order for either a qualified production company or a qualified investor to become entitled to an incentive, the qualified production company must submit documentation to the state verifying the qualified expenses. The Commissioner of Revenue shall review documentation submitted and notify the qualified production company of the amount approved, if any.
- At the conclusion of the production the production company or the qualified investor may then submit a claim for the incentive.

LETTER RULING REQUEST

A Letter Ruling from the Department of Revenue, regarding Tennessee's statutory requirements to qualify for incentives available for the production of a movie or episodic television program, is the first step in qualifying for the statutory incentives. The Letter Ruling will outline subsequent steps that you will need to take in order to qualify for the incentives.

There is a \$500 fee for issuing a Letter Ruling. You may send your check payable to the Tennessee Department of Revenue, Arnold Clapp, Special Counsel to the Commissioner, Andrew Jackson State Office Building, Room 1260, 500 Deaderick Street, Nashville, TN 37242.

Along with the check for \$500, the Department of Revenue will need a letter telling us about your business and describing its operations and movie production plans. Your letter needs to:

- State the address of your Tennessee office and that this address is where your international, national or regional headquarters are located.
- State that this address is where your headquarters staff employees are located and employed and where the primary headquarters related functions and services of your business are performed.
- Specifically state that the movies or episodic television productions that you plan to produce and that otherwise qualify for the incentive incentives are not obscene.

Upon receipt of your check and letter, we will draft a Letter Ruling for the Commissioner's signature addressing Tennessee's statutory requirements applicable to qualifying for the incentives available for the production of a movie or episodic television program in Tennessee. In the light of the facts that you present in your letter, the Letter Ruling will address whether your office in Tennessee qualifies as a "headquarters facility" for purposes of such incentives as well as a number of other issues. The Letter Ruling will outline the procedures set forth in the law to obtain the incentive after you produce a qualifying movie or episodic television program in Tennessee.

If you have any questions about this process, please contact Arnold Clapp at the Department of Revenue at (615) 741-2461 or Arnold.clapp@tn.gov.

See the next page for an example of a letter requesting to be headquartered in Tennessee.

SAMPLE LETTER RULING REQUEST LETTER

Arnold B. Clapp
Special Counsel to the Commissioner
Tennessee Department of Revenue
Andrew Jackson State Office Building, Room 1260
500 Deaderick Street
Nashville, Tennessee 37242

Arnold,

[Your Company Name] would like to be recognized as a headquarters facility in the State of Tennessee for purposes of qualifying for the incentives available for the production of movies or episodic television programs in Tennessee, and we are requesting a Letter Ruling in this regard.

Our **[International, National or Regional]** headquarters are located at **[Tennessee Location Address of Your Company]**. Our headquarters staff employees are located and employed at this address and our primary headquarters related functions and services are performed at this location. None of the movie or episodic television productions that we plan to produce in Tennessee for purposes of the incentives available will be obscene or vulgar in nature.

[Provide a brief description of the number of employees, along with operations and activities that your company conducts, or plans to conduct, in Tennessee. Also describe commitments to the state in the form of property owned, vehicle/voter registrations, children in school, etc.]

Enclosed is a check for \$500 payable to the Tennessee Department of Revenue in payment of the Letter Ruling fee. Thank you for your time and attention to this matter.

Thank you,

[Your Name]
[Your Title]

DATA REQUIREMENTS

- The data must be in one Excel spreadsheet (not multiple tabs) or one Access database table (not multiple tables).
- The data cannot be submitted in any other format such as PDF, XML, delimited, CSV, PRN, reports, etc.
- The data must contain specific identifying information about the transaction that is sufficient to locate the source document (paper receipt) such as vendor/supplier, date, invoice number/transaction number, account number, proof of payment (check number, envelope number, etc), description, etc. This is not an exhaustive list, but rather an example of the detail needed on each transaction/line of data.
- The amount of the qualified Tennessee spend must be in one data column and have an amount on every line of the data for the transaction. The sum of this column must represent the total Tennessee spend for the time period represented. If the column is summed in Excel or Access and does not sum to the number represented at the bottom of the column, the data will be returned for correction.
- Every effort should be made to list the spend for each transaction and not multiple payments or advances toward a single transaction/spend.
- The data must have a clear cutoff for the claim and that cutoff must be identified to the Department of Revenue. For example, the claim could be for all Tennessee expenditures between February 2, 2011 and October 13, 2011. Therefore, if a subsequent claim is filed, all Tennessee expenditures submitted to the Department of Revenue would be for expenditures after October 13, 2011. It is imperative that this is clear so that duplicate expenditures are not presented in multiple claims.

Required Data Elements

<i>Field Name</i>	<i>Explanation</i>
General Ledger Account	
Vendor Name	
Invoice Number	
Invoice Date	
Description	Make sure enough information is present to differentiate from another line within the TN spend data
Employee Name	Must include employee name for payroll transactions
Week Ending Date	This will show the payroll week
Check Number	You must have check number as proof of payment unless Petty Cash
Check Date	
Petty Cash Envelope Number	
Transaction Type	This should be Payroll, AP or Petty Cash and not Journal Entries
Transaction Number	If your computer system issues a transaction number to all entries, please provide that information.
Transaction Date	If you use a transaction date or entry date as the cutoff date , you will need to provide this data field
Amount of TN spend	Must be the amount related to the production for a qualified expense incurred in TN – (Include the employee gross pay if this is a payment to an employee or a payroll transaction)

You will have to indicate the cutoff date for each data set provided to ensure that entries are not included multiple times for payment. The date field used to identify the cutoff must be in each data submission and date ranges cannot overlap between sets of data provided for the incentive. Overlapping date ranges will result in a reduction of incentive amounts approved.

All line items that are identical to another data line will be removed and not allowed as a qualified spends. If the lines are not truly duplicates, make sure that plenty of detail is provided to prove two different payments. The ideal situation is that similar items be paid with different check numbers.