

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025**

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**SENATE BILL 1002**

Short Title:   Micro-Budget Productions & Film Grant Changes. (Public)

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Sponsors:    Senator Lee (Primary Sponsor).

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Referred to:   Rules and Operations of the Senate

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May 4, 2026

1                                   A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE FILM AND ENTERTAINMENT GRANT FUND.  
3 The General Assembly of North Carolina enacts:

4                   **SECTION 1.** G.S. 143B-437.02A reads as rewritten:

5 "**§ 143B-437.02A. The Film and Entertainment Grant Fund.**

6       (a)   Creation and Purpose of Fund. – There is created in the Department of Commerce a  
7 special, nonreverting account to be known as the Film and Entertainment Grant Fund to provide  
8 funds to encourage the production of motion pictures, television shows, movies for television,  
9 productions intended for on-line distribution, and commercials and to develop the filmmaking  
10 industry within the State. The Department of Commerce shall adopt guidelines providing for the  
11 administration of the program. Those guidelines may provide for the Secretary to award the grant  
12 proceeds over a period of time, not to exceed three years. Those guidelines shall include the  
13 following provisions, which shall apply to each grant from the account:

14           (1)   The funds are reserved for a production on which the production company has  
15 qualifying expenses of at least the following:

16                   ...

17           b.    For a production consisting of a series of episodes intended for on-line  
18 distribution or a television series, five hundred thousand dollars  
19 (\$500,000) per episode.

20                   ...

21           (2)   The funds are not used to provide a grant in excess of any of the following:

22           a.    An amount more than twenty-five percent (25%) of the qualifying  
23 expenses for the production.

24           b.    An amount more than ~~seven million dollars (\$7,000,000)~~ twenty  
25 million dollars (\$20,000,000) for a feature-length ~~film, film or a single~~  
26 season of a production consisting of a series of episodes intended for  
27 on-line distribution, more than ~~fifteen million dollars (\$15,000,000)~~  
28 twenty-five million dollars (\$25,000,000) for a single season of a  
29 television series, or two hundred fifty thousand dollars (\$250,000) for  
30 a commercial for theatrical or television viewing or on-line  
31 distribution. The amount of a grant for the first season of a series, when  
32 added to any grant awarded for the pilot episode of that series, may not  
33 exceed twenty-five million dollars (\$25,000,000).

34           (3)   The funds are not used to provide a grant to more than one production  
35 company for a single production.



- 1 (4) The funds are not used to provide a grant for a production that meets one or  
 2 more of the following:  
 3 ...  
 4 f. It is a ~~talk, game, talk show, recorded concert or other live performance~~  
 5 event for theatrical or other release, or awards show or other gala  
 6 event. For purposes of this exception, an awards show is television  
 7 programming involving the filming of a ceremony in which  
 8 individuals, groups, or organizations are given an award.  
 9 ...
- 10 (b) Definitions. – The following definitions apply in this section:  
 11 ...
- 12 (3) Highly compensated individual. – An individual who directly or indirectly  
 13 receives compensation in excess of ~~one million dollars (\$1,000,000) four~~  
 14 million dollars (\$4,000,000) for personal services with respect to a single  
 15 production. An individual receives compensation indirectly when a  
 16 production company pays a personal service company or an employee leasing  
 17 company that pays the individual.
- 18 ...
- 19 (5) Production. – Any of the following:  
 20 a. A motion picture intended for commercial distribution to a motion  
 21 picture theater or directly to the consumer viewing market that has a  
 22 running time of at least 75 minutes.  
 23 b. A television series or a commercial for theatrical or television viewing,  
 24 made-for-television movie, or production intended for on-line  
 25 distribution. For ~~video and a~~ television series, a production is all ~~of~~ the  
 26 episodes of the series produced for a single season. For a production  
 27 intended for on-line distribution, the production is all the episodes  
 28 produced for a single calendar year, provided there are at least six  
 29 episodes with an average running time of at least 20 minutes.
- 30 (6) Production company. – ~~Defined in G.S. 105-164.3. A person engaged in the~~  
 31 business of making original motion pictures or video content for theatrical,  
 32 commercial, advertising, or educational purposes.
- 33 (7) Qualifying expenses. – The sum of the amounts listed in this subdivision,  
 34 substantiated pursuant to subsection (d) of this section, and spent in this State  
 35 by a production company in connection with a production, less the amount  
 36 paid in excess of ~~one million dollars (\$1,000,000) four million dollars~~  
 37 (\$4,000,000) to a highly compensated individual:  
 38 a. Goods and services leased or purchased. For goods with a purchase  
 39 price of twenty-five thousand dollars (\$25,000) or more, the amount  
 40 included in qualifying expenses is the purchase price less the fair  
 41 market value of the good at the time the production is completed.  
 42 Goods and services includes the costs of tangible and intangible  
 43 property used for, and services performed primarily and customarily  
 44 in, production, including preproduction and postproduction and other  
 45 direct costs of producing the project in accordance with generally  
 46 accepted entertainment industry practices. Goods and services exclude  
 47 ~~costs~~ the following:  
 48 1. Costs for development, marketing, and distribution; costs  
 49 distribution.

- 1                    2.     Costs of financing for the production, of bonding related to the  
2                    production, of production-related insurance coverage obtained  
3                    on the ~~production; and expenses~~ production.
- 4                    3.     Expenses for insurance coverage purchased from a related  
5                    member.
- 6                    4.     For game shows and productions that document purportedly  
7                    unscripted real-life situations primarily using unfamiliar  
8                    people in lieu of professional actors, (i) costs for and value of  
9                    prizes awarded and (ii) the fair market value of any item in the  
10                   show intentionally or negligently used or destroyed for  
11                   entertainment purposes immediately prior to its destruction or  
12                   use.

13                    ...

14                   (h)     Micro-Budget Productions Account. – There is created in the Film and Entertainment  
15                   Grant Fund a special, nonreverting account to be known as the Micro-Budget Productions  
16                   Account to provide funds to encourage smaller productions to develop the filmmaking industry  
17                   within the State. The Department of Commerce shall adopt guidelines providing for the  
18                   administration of the program. Those guidelines shall apply to each grant from the account and  
19                   shall adhere to the provisions in this section, with the following modifications:

- 20                   (1)     The funds are reserved for a production on which the production company has  
21                   qualifying expenses of at least fifty thousand dollars (\$50,000) in the State but  
22                   not more than one million four hundred ninety-nine thousand dollars  
23                   (\$1,499,000) for the production.
- 24                   (2)     The funds are not used to provide a grant in excess of (i) a base amount equal  
25                   to the lesser of twenty percent (20%) of the qualifying expenses for the  
26                   production or one hundred thousand dollars (\$100,000) plus (ii) any of the  
27                   following:
  - 28                   a.     A bonus amount equal to five percent (5%) of the base amount if the  
29                   production company provides qualified accounting showing at least  
30                   seventy-five percent (75%) of the compensation and wages paid for  
31                   the production was paid to North Carolina residents. For purposes of  
32                   this sub-subdivision, "qualified accounting" by the production  
33                   company includes both (i) withholding payments remitted to the  
34                   Department of Revenue under Article 4A of Chapter 105 of the  
35                   General Statutes and (ii) payments for compensation to independent  
36                   contractors reported using a Form 1099. In calculating whether the  
37                   required percentage has been met, the following shall be included in  
38                   compensation and wages: employee fringe contributions, including  
39                   health, pension, and welfare contributions; per diems, stipends, and  
40                   living allowances paid for work being performed in this State; and  
41                   payments made to a loan-out company for services provided in the  
42                   State.
  - 43                   b.     A bonus amount equal to (i) three percent (3%) if at least seventy-five  
44                   percent (75%) of the filming occurred in development tier two and one  
45                   areas or (ii) five percent (5%) if at least seventy-five percent (75%) of  
46                   the filming occurred in a development tier one area. For purposes of  
47                   this sub-subdivision, a "development tier area" is as defined in  
48                   G.S. 143B-437.08.
- 49                   (3)     The funds are reserved for a production for which at least seventy-five percent  
50                   (75%) of the filming occurred in the State by or with a production company  
51                   with company headquarters, as defined in G.S. 143B-437.01, in this State.

- 1           (4)   The funds are not contingent on the existence, proof, or guarantee of a  
2           distribution agreement.
- 3           (5)   A production is not limited to feature-length films, television series, or  
4           commercials but can consist of short films, documentaries, or other similar  
5           audiovisual works intended for distribution that meet the requirements of this  
6           subsection.
- 7           (6)   No grant may be awarded that, when considered together with other grants  
8           awarded during a single calendar year, could cause the State's potential total  
9           annual liability for grants awarded in a single calendar year to exceed the  
10          amount available in the Account."

11           **SECTION 2.** There is appropriated from the General Fund to the Department of  
12 Commerce the sum of one million five hundred thousand dollars (\$1,500,000) in nonrecurring  
13 funds beginning in the 2026-2027 fiscal year to the Micro-Budget Productions Account  
14 established in Section 1 of this act for purposes consistent with that Account.

15           **SECTION 3.** This act becomes effective July 1, 2026, and applies to grants made on  
16 or after that date.