

VALUATION OF FILMS PRODUCED BY BROADCASTERS
FOR TELEVISION EXHIBITION IN COMPUTING THE PROPERTY
FACTOR OF THE BUSINESS ALLOCATION PERCENTAGE

The following policy with regard to corporations engaged in the business of broadcasting television programs and producing "films" for television exhibition is effective for taxable years beginning on or after January 1, 1982.

For purposes of computing the property factor of the business allocation percentage and in order to avoid unnecessary hardship on the taxpayers and for ease of administration, the fair market value of a "film" produced and placed in service by a corporation engaged in the business of broadcasting television programs, shall be the production cost of such film less accumulated depreciation using a straight line five year 20% depreciation rate (without regard to salvage value) commencing with the first year the film is placed in service. Once a film has been fully depreciated under this method it may no longer appear in the property factor.

The average fair market value of a "film", produced by a corporation engaged in the business of broadcasting television programs, attributable to New York State shall be determined by multiplying the applicable average fair market value of the "film" by the New York State viewing audience ratio.

Definition of terms contained in this memorandum are as follows:

1. A "film" means the physical embodiment of a play, story, or other literary, artistic, or other work created for public entertainment or educational purposes except that it does not include programs such as news and news specials relating to current affairs and shows consisting of sporting events.
2. The word "film" includes a tape.
3. Each episode of a series of "films" shall constitute a separate film, unless the series related to the same principal subject and is produced during a single television season. Such episodes for valuation purposes will be considered as one "film".
4. A "film" is placed in service when shown before the primary audience for which it was created. A "film" is not placed in service merely because it is completed and available for exhibitors or is shown in a "sneak preview" before a select audience.
5. "New York State viewing audience ratio" means the New York State television viewing audience divided by the total viewing audience reached. These figures must be measured by an established independent rating service which measures actual viewing audience.