

A Study of Georgia's Entertainment Tax Credit and Film Industry

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### Abstract

This paper summarizes the growth and effects of the Film and Entertainment industry in the state of Georgia from 2008 to 2014 in order to interpret what the effects of the state of Georgia's entertainment tax credit program. Using wage data, claimed tax credit amounts, and the growth in the number of related establishments, this paper is able to show that the tax credit has had a positive effect on the state's entertainment industry, but was unable to determine specifically how effective the credit was individually. Without the ability to isolate the tax credit from the other advantages that filming in Georgia has, the full effect of the credit is still unknown.

## A Study of Georgia's Entertainment Tax Credit and Film Industry

The Entertainment Industry has wowed the country ever since the rise of Hollywood in the early twentieth century. Between the glitz and the glamour of Hollywood and the spectacular amounts of money that seems to follow everywhere they go, many states in America have taken notice and are making efforts to bring some of that money their way. In order to do this, many states have begun offering some form of subsidy to movie studios in exchange for the studios filming their movies in that state. Initially, these small incentives were enough to entice movie makers to a state, but once it became clear that the programs could be successful, many other states started programs of their own. By 2009, forty-four states and territories were offering some form of tax incentive in order to entice movie makers to their state, but not all of these programs have been successful.

In 2005, Georgia Governor Sonny Perdue signed into law the Entertainment Industry Investment Act, one of the most generous tax credits for the entertainment industry in the entire country. Under the new Georgia law, any production ranging from a music video to a Hollywood blockbuster film was eligible for a tax credit of up to 30% if they spent more than \$500,000 on the production. This credit is an uncapped, transferable benefit that has contributed to Georgia becoming the fourth largest state for the entertainment industry behind only California, New York, and Louisiana.

## Literature Review

Recent studies have found that industry credits can be successful in increasing state revenue (McMillen 2008, Scalettar 2009) and that sometimes these tax incentives can end up paying for themselves (Luther 2010), but this varies greatly from state to state and is highly dependent on the generosity of the state's incentive plan. More often than not, these plans tend to give away more in incentives and tax credits than they receive in alternative tax revenue, especially considering that the major forms of taxes are often written off as part of the incentive package (Luther 2010, Bartik 1995). The major forms of tax revenue written off often include Hotel-Motel taxes, local sales taxes, and forgiveness of state fees. These written off taxes can often amount to more than the whole cost of production, even after controlling for minimum spending thresholds to qualify.

McMillen et al (2008) examines the institution of state issued tax credits and finds that for every dollar that Connecticut spent in subsidies, the state received \$1.07 back in the form of increased tax revenue. This study also found that the Connecticut plan stimulated \$55 million in film spending, generated \$20.72 million in new Real Gross State Profit, created 395 full-time equivalent jobs, and \$6.58 million in new Real Disposable Personal Income; however, Connecticut spent \$16.5 million in tax credits in order to attain these results. It found that the subsidies had been crucial in increasing the size of the film industry in Connecticut and that the subsidies had returned more money to the state than they spent, indicating a successful program; however the authors were not able to determine whether this was due to the incentive alone or due to other outside factors.

A state's tourism industry is another industry that stands to benefit from an increase in the number of films shot in a given state. There is evidence to suggest that movie-induced tourism is real (Busby 2001) and can linger for many years after a movie is out of theaters. This type of tourism can take many forms ranging from tourists seeking out a location purely because of a movie filmed in that location or as part of a larger, pre-planned trip (Riley 1998). For movies such as *Lord of the Rings*, the physical sets still continue to draw tourists to New Zealand more than a decade after the movies left theaters. Although these effects are no doubt present, they will not be considered in this paper as short of polling every tourist that comes to Georgia, this type of data is not accessible. This will likely understate some of the effects on Georgia's economy, but this cannot be avoided.

Using the auto industry as an example, one study (Kolesar 1990) found that local tax incentives offered by cities and counties constituted such a small role in the decision making process of where to locate a business that they were essentially unnecessary expenditures, especially when the incentives were offered in the form of tax incentives. These incentives were often irrelevant because the major things that the companies considered before choosing where to place their factories were things that were either outside the control of the city, such as geography, or things that cities had already invested in, such as infrastructure. He also discovered that the same type of incentives that are offered by local governments often deplete funding from other programs such as infrastructure improvement and education that most businesses acknowledge play major factors in their decision to relocate. These factors are compounded when cities and states decide to compete with each other for the same company's investment. With ever increasing amounts given out to companies in incentives, tax credits, and waivers, the amount of money spent per job can be staggering. In the same study, Kentucky was

competing with other states to secure a Toyota manufacturing plant and offered an incentive package worth \$147.9 million dollars, a total that came out to \$49,000 per employee.

In states that have required balanced-budget laws, these film credits can often have an important impact on a state's bottom line. Georgia is one of those states and because Georgia has one of the more generous plans available, this paper aims to determine what the explicit costs for Georgia have been and what benefits the state has seen as a result of the incentive package. Due to the wide variance between the states and the relative effects of their incentive plans, this paper seeks to fill a void in the state-level literature on the topic.

### **History of Film Tax Credits**

When Louisiana introduced the first film credit in 2002, many Hollywood productions flocked to the state, eventually earning it the nickname "Hollywood on the Bayou". Louisiana saw a major influx of entertainment investment, and many other states tried to copy what they were doing. When Louisiana first started their program, they offered benefits that were modest by today's standards, but due to their status of first mover, they were able to draw a large amount of business. Once other states started joining in, the benefits that they had to offer to compete became increasingly lucrative to Hollywood producers (Luther 2010).

At its peak in 2009, there were forty-four different states and territories that were offering some form of benefit. While the number has dwindled since then, there are still thirty-seven states and territories that offer incentives of some kind (Appendix A). While the benefits package varies from state to state, most states offer some combination of sales tax exemptions, tax free lodging, fee forgiveness, tax credits, and cash rebates. The amounts differ by state, but almost

every state has a minimum spending threshold that a company has to meet before they are eligible to receive the credit. Most states also have a cap on the amount of money that they are willing to give out per year although Georgia is not one of them.

Most of the incentives that are offered are fairly standard, but a quick outline of what each one is and its purpose is necessary. Tax credits are reductions in what the company owes in taxes to the respective state. While some states are more generous than others in this regard, almost every single state offers only a percentage off of their aggregate tax liability as opposed to a forgiveness of the entire amount owed. Tax credits are usually the basic incentive offered, with amounts ranging from five to thirty percent off of the tax liability to the state with additional amounts taken off once certain spending thresholds or behaviors are met. Some states allow these tax credits to be sold to other companies, or transferred, while other states require that any unused credits be sold back to the state, usually at a predetermined rate.

Other states, like Colorado and Mississippi, offer cash rebates instead of tax credits. The reasoning behind the cash rebates is that since it is effectively the same thing as the tax credit, then the administrative costs of cash rebates are much lower and therefore the program is cheaper for the state to run. Other states offer cash grants, but usually these are reserved for smaller, independent films.

### **Georgia's Entertainment Tax Incentives**

In many respects, Georgia offers one of the most lucrative incentive packages in the country. In order to qualify for the credits, a company must spend \$500,000 in the state of Georgia, but for a major blockbuster, with budgets running into the tens of millions, this is a

relatively low threshold to reach. Georgia is also one of the only states that offers a transferable credit with no sunset clause or maximum limit. While the base credit offered is 20% off of the total tax liability, another 10% can be added on if the production includes an embedded Georgia logo in either the credits or opening. Georgia also has no salary cap on individual's salary allowing production companies to subsidize part of their salary requirements.

This is one of the areas that has been the most difficult to determine the total effects of the industry tax credit. If the state of Georgia has been able to capture the job growth and prevent “leakage”, then the effects are likely to be more pronounced. For instance, if the major Hollywood actors continue to live and spend their money in California, then the money they earned in Georgia will “leak” to California, whereas if the same money was spent on building studios and other permanent facilities, then the money will be captured in Georgia and remain in circulation here.

One of the features that also likely overstates the impact of Georgia’s tax credit is that the tax credits are transferable meaning that if the company that originally spent the money in Georgia and has credits that exceed their tax liability, then the company is allowed to sell their remaining credits to other companies. While this does reflect the amount that is spent in Georgia, it does not always represent accurately the amount that these companies have accrued in taxes. While each individual company is unique in the way in which their taxes are earned, the amount of revenue written off by the states can exceed the amount that these companies owe leading these companies to sell their remaining credits to other companies. While the companies that are eligible for this credit still have to be approved by the Georgia Department of Economic Development, their sale can overstate the impact of the tax credit as the credit is being utilized by

companies that might not have spent as much in the state as those companies that earned the full credit.

While there is no doubt that states have experienced job growth in the entertainment industry, the major purpose behind this research is to determine at what cost this growth has occurred. It is also important to note that film tax credits are not the only factor that goes into the decision about where to film. In studying Georgia's film industry, it is impossible to divorce Georgia's natural advantages, such as a year-round mild climate, access to a major international airport, easy access to mountains, beaches, and cities, and a deep, skilled labor pool in Atlanta, from the advantages derived from the film incentives.

### **Top States for the Movie Industry**

In the United States, California, New York, Louisiana, and Georgia make up the four largest states for movie production based on the amount spent on production per state. California continues to be the top state for the entertainment industry with over \$1.3 trillion spent in the state in 2014 alone (McDonald 2014). While California continues to be the top state in terms of the amount of money spent in the state, since Canadian provinces and other US states started offering production incentives in the late 1990s, California has been losing much of its market share to other states (McDonald 2014).

While California will continue to retain the largest share of the revenue for the foreseeable future, other states stand to gain considerably from its loss in market share. As a result, California responded to other states' film incentive packages by offering some of their own. In 2011, California began offering incentives to independent films, feature films, and TV

shows, although each was qualified for different packages. For feature films, TV pilots of at least forty minutes, and TV shows, a minimum spending threshold of one million dollars is required before they become eligible for a twenty percent non-transferable tax credit. These productions are also eligible for a five percent uplift -- capped at twenty-five percent -- if they meet one of three requirements, including utilizing filming locations outside of the greater Los Angeles area, spending money on music scoring expenditures, or exceeding the minimum spending requirement on visual effects. While these incentives have been helpful, they have not stopped the major studios from looking to other states to film.

New York, for instance, offers a number of different incentive packages depending on the type of media being produced. Similar to Georgia, New York offers a thirty percent refundable tax credit on qualified production and post-production costs as well as sales tax exemptions for any filming that is done in the state, with an additional five percent added on for any filming done outside of metro New York City (Appendix A). However, unlike Georgia and some other states, New York caps most of its per-production costs. While this potentially limits the full impact of the credit, New York already had a large percentage of the entertainment industry prior to the start of the incentive program, so it is unlikely that the industry would leave the state should the program disappear. This is especially pronounced considering the fact that New York City is the nation's largest city and home to a large percentage of entertainment workers (McDonald 2014).

The other major state that is competing with Georgia is often a surprise to many people that are not familiar with the entertainment industry. Louisiana was the first American state to offer an incentive program to compete with California and, as such, received both a large amount of attention and an even greater supply of business. At one point in 2013, Louisiana had more

feature films shot in state than California (McDonald 2014); however, recently Louisiana has begun to scale back the amount of money that they were spending on the tax credit. Before the scale back, Louisiana offered a thirty percent transferable income tax credit for total in-state expenditures after a relatively low minimum spending threshold of \$300,000. Louisiana also offered an additional ten percent credit for a company that utilized in-state labor (Appendix A).

Recently though, Louisiana has started to reduce the amount of money that they are investing in their program, and unlike New York and California, Louisiana has far more to lose. New York and California already had a strong industry base to operate from when they initiated their credit programs, whereas Louisiana only started to gain notoriety as an industry-friendly state once they started offering the incentive package. Since the program was only scaled back in July 2015, it is still too early to see what the full effects are yet, although early indicators show mixed results.

In addition to Louisiana, all of Georgia's neighbors in the southeast offer varying forms of incentive packages. Florida offers one such program that is similar in structure to New York's in that they offer a base twenty percent tax credit with additional incentive options capped at thirty percent. It is important to note, however, that Florida is one such state that has a per year cap on the amount that they are willing to spend on the program and therefore only offers the tax rebates on a first come, first serve basis.

### **Costs and Benefits**

In order to track the amount of money that the state of Georgia has written off in tax breaks, this paper uses a data set maintained by the Georgia Department of Revenue's Office of

Legal Affairs and Tax Policy and unless otherwise noted, all figures that cite official Georgia numbers use this data. The numbers that are reported here (Figure 1) start in 2009, the first full year that the state of Georgia offered an incentive package, and end in 2014, the last full year for which complete data is available.



The data shows that firms first claimed tax credits amounting to just over \$45 million dollars in 2009, and those amounts increased to a peak of \$259 million in 2012. After 2012's peak, the amounts claimed dropped slightly to \$211 million in 2014. While there was a slight downturn after the 2009 peak, it appears that claimed credits will continue at about \$225 million per year.

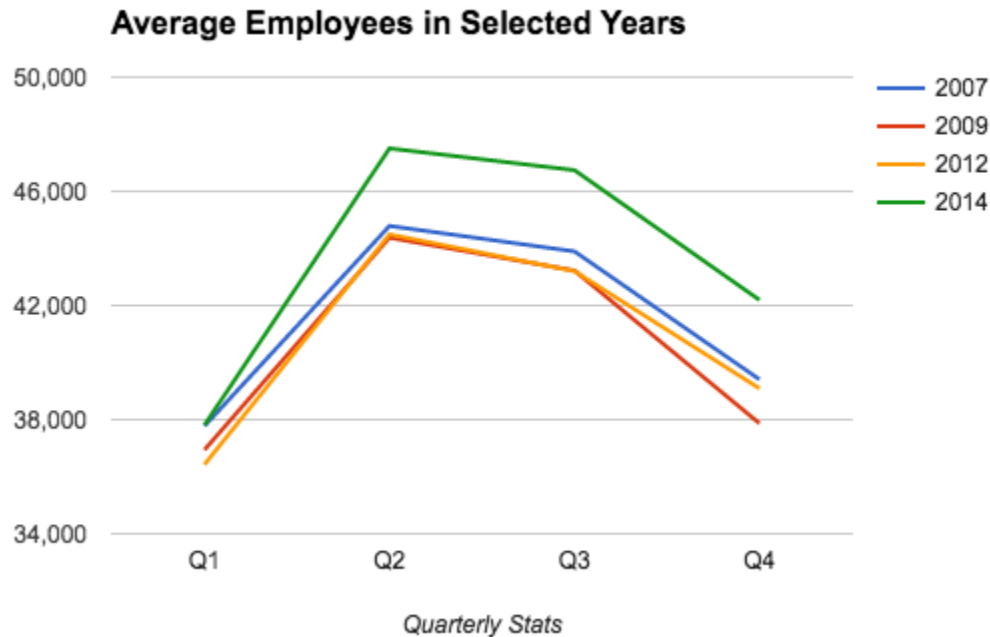
The Georgia Department of Economic Development determined that the total economic impact of Georgia's film credit was \$6 billion in fiscal year 2015 alone. They arrived at this number by using the Federal Reserve's Turnover rate of 3.57 and multiplying it by \$1.7 billion, the direct spending done by firms that filmed in Georgia in 2015. While this is certainly an

acceptable way to derive the benefits of the policy, the high number potentially calls into question the accuracy of the 3.57 multiplier. In lieu of this, this paper will use official labor statistics collected by the Bureau of Labor Statistics (BLS) and their Quarterly Census of Employment and Wages (QCEW). An important caveat to this data is that these numbers represent statewide figures and are not specifically tied to the film industry, but rather are involved in the “Arts, Entertainment, and Recreation” category. While broad, this is the only data available that covers the given time period and the subject in question.

The first major piece of evidence is the increase in the total number of employees that are reported to the QCEW. The number of employees is reported monthly, but in order to capture the amount of growth in the aggregate, the data was combined into quarterly reports. This was also done to illustrate that the entertainment industry follows a roughly seasonal pattern, with the majority of the growth in employment occurring in the summer and fall during prime filming periods and then diminishes during post-production after filming is finished.

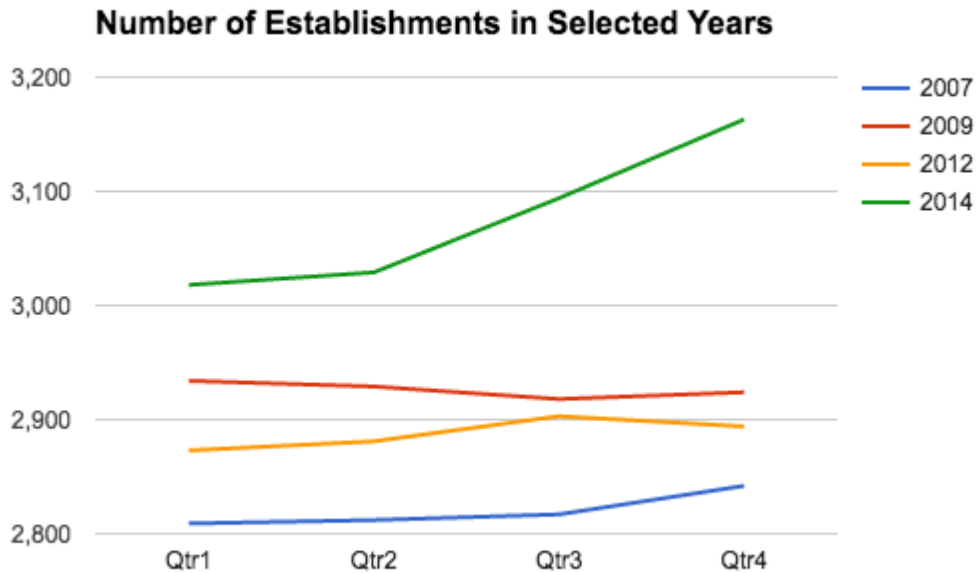
In order to illustrate the effects of the incentive package over time, four separate years were selected as reference points. 2009 and 2014 were chosen as they illustrate both the first full year of the program as well as the most recently completed year with full employment data. 2007 was selected as a control year, effectively to show where the state was prior to the implementation of the program, while 2012 was chosen as it was the year in which the greatest amount of money was claimed in tax credits.

As shown in Figure 2, employment peaks during the second quarter and then continues to decline before reaching its annual low-point during the first quarter. This is consistent with the filming schedules for most major Hollywood productions with hiring and filming beginning in the late spring and working through the fall and summer. The interesting points to take away



from this are that employment figures in 2014 are the highest of any point during the period in which Georgia has been offering their incentive package indicating that the state has been successful in retaining the talent that the package initially brought it. Additionally, employment figures dropped from 2007 to 2009, although this can likely be attributed to the larger economic problems brought about by the housing market crash in 2008. Another interesting finding to point out is that during the peak year of claimed credits, the employment figures are just beginning to reach the levels of employment that were achieved in 2009 indicating that either the entertainment industry was finally beginning to take hold in Georgia or that it took the state almost four years to fully recover from the market crash.

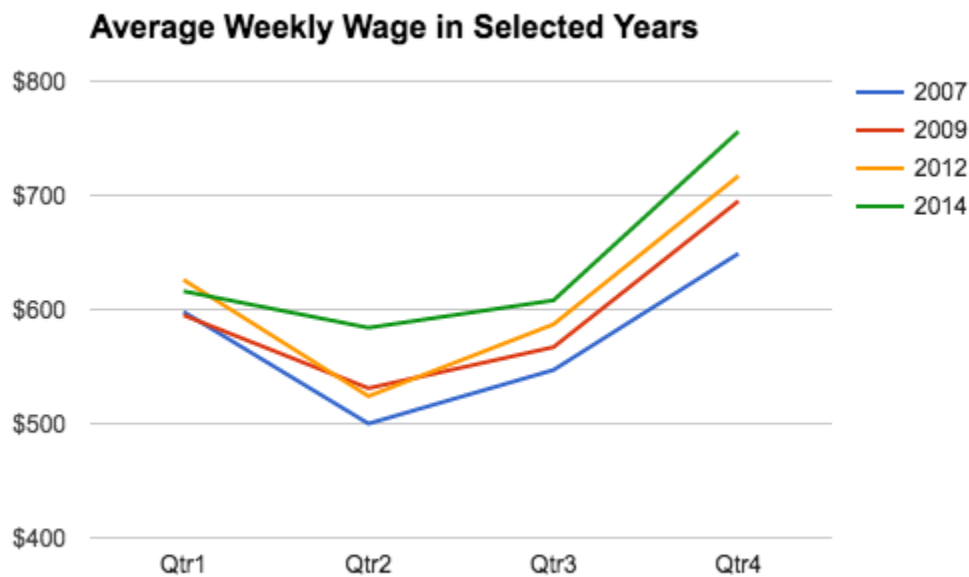
Another figure that bears out this pattern is the data on the number of establishments that are engaged in the entertainment industry as a whole in Georgia. Using 2007 as the control, there have been gains in every quarter of every year with the sole exception of 2012, in which the number of establishments was at all times below that of 2009. This is interesting because the



number of establishments can be used to indicate the strength of the industry as a whole with more small businesses taking advantage of the incentives package in order to start their own business. While this cannot be explicitly shown in the data as there is no delineation between small, medium, and large business, it is a plausible solution to the rapid increase in the number of establishments.

What is most telling about this data though is that the preliminary numbers for 2015 also indicate that the upward trend from 2014 is continuing into 2015. Although these numbers are not official, this is consistent with the increases in the number of employees in Georgia and indicates the entertainment industry as a whole has grown and, barring a massive change that the

industry is here to stay.



These findings are also consistent with the increases in average hourly (Figure 3) and annual pay as also reported by the QCEW. Both of these figures also indicate that not only are the number of employees increasing, but also that their wages are increasing as well. While there is a distinct downturn during the second quarter in average wages, I believe that this is due primarily to the increased use of extras and other low-cost cast members. As extras are generally just paid for a day or two at a time, and even then, only paid very little, this would contribute to both an increase in the number of employees reported and a decrease in the average wages paid out. An important caveat to this theory is that while the second quarter consistently produces the lowest average wages, the degree of difference between the yearly high and low has gotten smaller with each passing year, indicating that even though extras may make up a significant number of people, that their average wages are not enough to bring down other full-time equivalent employees. Generally, decreased wages are perceived as a negative indicator,

however, in this case, the decrease in wages could be shown as a net positive, although this does have the potential to artificially increase the employment numbers shown earlier.

Table 1 represents a breakdown of the most recent BLS data on more specific groups of people in Georgia's entertainment industry. While not intended as a series projection of the industry in Georgia, it does provide a relative breakdown as to the variance in the different types of jobs and wages for employees in the film and other related industries. Unsurprisingly, two of the three most populous jobs are Actors and Producers/Directors, but interestingly, the other three that round out the top five are all below-the-line workers, indicating a strong presence in the state beyond the flash and the glamour of Hollywood stars.

For top Hollywood actors and directors, once filming concludes, many are most likely going to leave the state and go back to Hollywood, but it is far less common for below-the-line workers to do the same. That there are over 6,000 below-the-line workers in the industry indicates that there is a deep and growing pool of qualified workers for the industry to draw upon indicating that the incentive package has been successful in attracting and retaining the type of skilled workers that are needed to effectively produce a major motion picture.

Occupation	Employment(1)	Hourly mean wage	Annual mean wage(2)	Hourly median wage	Annual median wage(2)	Employment per 1,000 jobs	Location Quotient
Fine Artists, Including Painters, Sculptors, and Illustrators	400	\$ 21.58	\$ 44,900	\$ 20.81	\$ 43,280	0.098	1.1
Multimedia Artists and Animators	2560	\$ 25.70	\$ 53,460	\$ 24.13	\$ 50,180	0.624	2.85
Actors	2030	\$ 20.39	(4)-	\$ 11.77	(4)-	0.493	1.35
Producers and Directors	4060	\$ 33.47	\$ 69,620	\$ 27.42	\$ 57,040	0.988	1.3
Music Directors and Composers	600	\$ 25.30	\$ 52,620	\$ 26.05	\$ 54,190	0.146	0.93
Writers and Authors	610	\$ 30.78	\$ 64,020	\$ 25.51	\$ 53,050	0.148	0.47
Audio and Video Equipment Technicians	1790	\$ 20.95	\$ 43,580	\$ 19.41	\$ 40,370	0.435	0.96
Broadcast Technicians	910	\$ 19.58	\$ 40,720	\$ 18.03	\$ 37,500	0.221	1.08
Sound Engineering Technicians	440	\$ 23.00	\$ 47,850	\$ 18.60	\$ 38,690	0.108	1.07
Photographers	1420	\$ 18.38	\$ 38,220	\$ 16.32	\$ 33,940	0.345	0.95
Camera Operators Television Video and Motion Picture	360	\$ 26.77	\$ 55,680	\$ 26.75	\$ 55,640	0.087	0.6
Film and Video Editors	(8)-	\$ 25.67	\$ 53,390	\$ 23.16	\$ 48,180	(8)-	(8)-
Media and Communication Equipment Workers All Other	310	\$ 35.56	\$ 73,960	\$ 35.99	\$ 74,860	0.076	0.59

Footnotes:

- (1) Estimates for detailed occupations do not sum to the totals because the totals include occupations not shown separately. Estimates do not
- (2) Annual wages have been calculated by multiplying the hourly mean wage by 2080 hours.
- (4) Wages for some occupations that do not generally work year-round full time are reported either as hourly wages or annual salaries
- (8) Estimate not released.

## **Caveats and Conclusions**

While it is easy and tempting to declare the results of the incentive package a roaring success due to the attention and stature that Hollywood has brought to Georgia, it is still unclear what the full costs to Georgia taxpayers have been. While it is certainly true that numerous jobs and a great number of benefits have come into the state, it is unclear whether or not they were brought in because of the incentive package or because of other factors.

Georgia is already one of the few states in the country that has ready access to beaches, mountains, cities, and a year-round temperate climate. Without the ability to clearly isolate the results of the program specifically, it remains unclear as to whether the benefits of the industry are coming from a general increase in the entertainment industry nationwide, growth in the state economy, or any number of other factors.

For instance, how much of an impact did non-stop flights from Hartsfield-Jackson to LAX have as opposed to the offering of the credit package. If it was in fact the former, then perhaps a better use of the state's money would be to subsidize flights between the two cities. Without the ability to isolate these factors, the results of the research remain positive, but inconclusive.

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**Appendix A**

Table Information Taken from the National Conference of State Legislatures (2014) updated through January 1, 2016

<http://www.ncsl.org/portals/1/documents/fiscal/2014filmincentiveprograms.pdf>

<b>Table 1: Film Production Incentives by State</b>	
<b>State</b>	<b>Film Production Incentive/Credit Program</b>
Alabama	<p>A qualified production company shall be entitled to a 25% rebate of all state certified expenditures and 35% of all payroll paid to residents of Alabama for the state certified production. Production expenditures for a project must equal or exceed at least \$500,000.</p> <p>In addition to the rebate, the state offers sales tax and lodging tax exemptions.</p>
Alaska	Incentive program is no longer offered
Arizona	No incentive program
Arkansas	<p>Production company shall be eligible for a rebate on all qualified production costs in connection with the production of a state certified film project.</p> <p>A production company is eligible for a 20% rebate of all qualified production costs associated with the production of a state certified production (including resident and nonresident labor).</p> <p>An approved production company may also receive an additional rebate of 10% for the payroll of below-the-line employees involved in the production who are full-time residents of the state. Productions must spend a minimum of \$500,000, and there is an annual cap of \$5 million.</p>
California	<p>Qualified taxpayers are allowed a credit against income and/or sales and use taxes, based on qualified expenditures, for taxable years beginning on or after January 1, 2011. Credits applied to income tax liability are not refundable. Only tax credits issued to an "independent film" may be transferred or sold to an unrelated party. Feature films and TV series may be eligible for a 20% or 25% non-transferable tax credit depending on certain criteria.</p>
Colorado	<p>The Colorado Film Incentive program offers a 20% cash rebate for production costs taking place in the state. The incentive program covers feature films, television pilots, television series (broadcast and cable), television commercials, music videos, industrials, documentaries, video game design and creation, and other forms of content creation. Bonded productions are eligible to have 100% of their projected rebate escrowed up front with the bond company. An</p>

	<p>additional component of the program is a loan guarantee program with the State guaranteeing up to 20% of a production budget. This program is only available to film productions. A production may be eligible for both the performance-based incentive and the loan guarantee programs. To be eligible, a Colorado production company must have qualified local expenditures of at least \$100,000. An out-of-state production company must have at least \$1 million in qualified local expenditures (the exception being television commercials and video game productions, which must have qualified local expenditures of \$250,000).</p>
Connecticut	<p>In 2006, General Assembly established tax credits for the production of digital media and motion pictures. For income years starting Jan. 1, 2010, the 2009 bill increases the minimum expenditure to \$100,000 and makes the credit amount dependent on the production's total expenses or costs. Production companies incurring production expenses or costs between \$100,000 and \$500,000 are eligible for a 10% credit, between \$500,000 and \$1 million are eligible for a 15% credit, and over \$1 million continue to be eligible for a 30% credit. The state also offers a tax credit for infrastructure costs, and exemptions for property, sales and hotel taxes.</p>
Delaware	<p>No incentive program, however Delaware does not levy a sales tax</p>
Florida	<p>Florida offers a base transferrable tax credit of 20% to 30%. Additional bonus credits of 5% are available for certain types of productions. There are three incentive categories:</p> <p>(1) <i>General Production Queue</i>: qualifying productions include films, TV (TV series may be ineligible), documentaries, digital media projects, commercials and music videos. A minimum of \$625,000 must be spent and the maximum incentive award is \$8,000,000.</p> <p>(2) <i>Commercial and Music Video Queue</i>: A minimum of \$100,000 per commercial or music video must be spent. A production company must spend at least \$500,000 within one fiscal year to apply (projects can be bundled). The maximum incentive is \$500,000 per fiscal year.</p> <p>(3) <i>Independent Emerging Media Production Queue</i>: Films, TV, documentaries and digital media projects are eligible. A minimum of \$100,000 must be spent and a maximum of \$625,000 can be spent to qualify. The maximum incentive awarded is \$125,000.</p> <p>Also, Effective January 1, 2001, any qualified production company engaged in Florida in the production of motion pictures, made for television motion pictures, television series, commercial advertising, music videos or sound recordings may be eligible for a sales and use tax exemption on the purchase or lease of certain items used exclusively as an integral part of the production activities in Florida.</p> <p>The state does not levy a state income tax</p>

Georgia	<p>The Entertainment Industry Investment Act offers an across the board flat, one-time transferrable, tax credit of 20% based on a minimum investment of \$500,000 on qualified productions in Georgia. An additional 10% Georgia Entertainment Promotion uplift can be earned by including an imbedded animated Georgia logo on approved projects. There is no cap on spending in Georgia. The state also offers a sales &amp; use tax exemption.</p>
Hawaii	<p>As of July 2013, Hawaii expanded the Motion Picture, Digital Media &amp; Film Production Income Tax Credit. A refundable tax credit based on a production company's Hawaii expenditures while producing a qualified film, television, commercial, or digital media project is available for producers. The credit equals 20% of qualified production costs incurred on Oahu, and 25% on the neighbor islands (Big Island, Kauai, Lanai, Maui, Molokai). Act 88/89 also increased the per production cap to \$15 million, qualifies productions with internet-only distribution, allows state and county location and facilities fees to count towards qualified expenditures and extends the credit's sunset date to 2018. Additionally, the state has a Royalties Tax Exemption. Royalties derived from performing arts products are excluded from a Hawaii taxpayer's income and not subject to state income tax</p>
Idaho	<p>The program currently does not receive funding</p>
Illinois	<p>In 2008, the General Assembly passed the Film Production Tax Credit Act, which offers producers a transferrable credit of 30% of all qualified expenditures, including post-production, and will not sunset until 2021 (it is renewable in 5 year increments after 2021). Other benefits include: 30% of the qualified Illinois Production Spending.</p> <ul style="list-style-type: none"> <li>• 30% of the qualified Illinois Production Spending.</li> <li>• 30% credit on Illinois salaries up to \$100,000 per worker.</li> <li>• Tax credit can be carried forward 5 years from when originally issued by Illinois Film Office.</li> <li>• The yearly sunset provision has been removed so the Film Services Tax Credit does not expire.</li> <li>• Applicants will receive an additional 15% tax credit on salaries of individuals that live in an economically disadvantaged area.</li> </ul>
Indiana	<p>No incentive program</p>
Iowa	<p>No incentive program</p>
Kansas	<p>No incentive program</p>
Kentucky	<p>The Tax Rebate Program entitles eligible motion picture and television production companies to a refund of Kentucky's 6% sales and use tax on expenditures made in connection with the production. Qualified productions have the option of taking advantage of either the sales tax refund incentive or a refundable income tax credit of up to 20% of approved expenditures. Film</p>

	<p>production incentives are available to companies that spend at least \$250,000 to produce feature films or television shows in Kentucky.</p> <p>Commercials are eligible with required expenditures of \$100,000. Documentaries and Broadway productions are eligible with an expenditure minimum of \$20,000</p>
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Louisiana	<p>The state offers a 30% transferable income tax credit for total in-state expenditures related to the production of a motion picture. An additional 5% labor tax credit can be earned on the payroll of Louisiana residents that are employed by a state certified motion picture production. The tax credits are fully transferable and the state has no limit to the amount of tax credits that can be earned by a single production. Only money spent on production costs within the borders of the state will qualify for the 30% tax credit.</p>
Maine	<p>The state's film incentive program includes: a wage-tax rebate plan (the program offers producers of a certified media production or productions a partial reimbursement of eligible employee wages). Generally, companies are reimbursed 10% of the amount paid as wages for non-Maine residents and 12% of the amount paid as wages for Maine residents. Additionally, productions may qualify for an additional 5% non-transferable, non-refundable tax credit on non-wage production expenses. Maine also offers no state sales taxes on most production items, reimbursement on lodging taxes for long-term stays, and no state sales tax on purchases of most fuel and electricity for productions.</p>
Maryland	<p>A film production entity may receive a refundable income tax credit of up to 25% of qualified direct costs of a film production activity. A television series may receive a credit of up to 27% of qualified direct costs. The total direct costs may not include any salary, wages or "other compensation" of an individual who receives more than \$500,000 for personal services in connection with the film production activity.</p> <p>To qualify, the production must incur at least \$500,000 in total direct costs in the State and at least 50% of the production's filming must occur in Maryland. In addition, the production must have nationwide distribution</p>
Massachusetts	<p>Film producers are eligible for a 25% production credit, a 25% payroll credit, and a sales tax exemption. Any project that spends more than \$50,000 in Massachusetts qualifies for the payroll credit. Spending more than 50% of total budget or filming at least 50% of the principal photography days in Massachusetts makes the project eligible for the production credit and a sales tax exemption. There are no annual or project caps, no residency requirements, and no extended schedule of credit payouts. The purchase of tangible personal property, including meals are eligible for a sales tax</p>

	<p>exemption. Unused tax credits can be carried forward for up to 5 years and are transferrable. A production company may also request a refund of up to 90% of unused credits.</p>
Michigan	<p>Incentive program is no longer offered</p>
Minnesota	<p>The state has a program titled Snowbate, Minnesota's Film Jobs Production Program. This is a reimbursement of 20% to 25% of Minnesota production expenditures. The incentive is available to qualified feature films, documentaries, TV pilots, programs or series, TV commercials music videos, Internet and post production. Also, the state offers a Commercial Sales Tax Exemptions for expenditures for TV commercial production and post-production are exempt from Minnesota sales tax. Lastly, the state has a hotel/lodging tax exemption in which all production personnel who stay in a hotel or other lodging under a lease agreement for 30 days or longer are exempt from state lodging tax.</p>
Mississippi	<p>The Mississippi Motion Picture Incentive Program provides a cash rebate on eligible expenditures and payroll and provides sales and use tax reductions on eligible rentals/purchases. This program is available for nationally distributed motion pictures, television programs, DVDs, documentaries, short films, commercials, video games, including animation and production utilizing new technology. National distribution includes theatrical, broadcast, festival screening, streaming video, and Internet delivery. There is a \$50,000 minimum Mississippi investment (local spend) per project. There is a \$10 million per project rebate cap. There is a \$20 million annual rebate cap. There is no minimum requirement for production days or percentage of production spend. Under the Mississippi Investment Rebate, a production is eligible for a 25% rebate on their base investment. Additionally, there is a 30% Resident Payroll Rebate and a 25% Non-Resident Payroll Rebate. A production is eligible for an additional 5% rebate on salaries paid to veterans. Qualifying production equipment used directly in the filming/editing of project will be taxed at a reduced rate of 1.5%.</p>
Missouri	<p>No incentive program</p>
Montana	<p>The state's incentive package offers 14% refundable tax credit on Montana crew and talent salaries and 9% back on production-related expenditures made in Montana. Productions may also be eligible for The Big Sky Grant Program, which may provide for up to 20% of all expenditures. Also, there is no state sales tax and production companies staying longer than 30 days at the same hotel/motel are exempt from the 7% bed tax.</p>
Nebraska	<p>No state incentive program, however, there are municipal level programs offered with state funds.</p>

Nevada	Beginning July 1, 2015, Nevada is offering transferable tax credits of up to 15% on cumulative qualified production costs, 12% on wages, salaries, and fringe benefits with bonuses for Nevada residents.
New Hampshire	No incentive program, however the state does not levy sales, income, or use taxes.
New Jersey	Certain tangible property used directly and primarily in the production of films and television programs is exempt from New Jersey's 7% sales tax. This tangible property includes the purchase of replacement parts for machinery, tools and other supplies, the purchase of lumber and hardware to build sets, the rental of picture cars, the purchase or rental of other types of props, and costs related to the repair of camera and lighting equipment.
New Mexico	<p>New Mexico offers a 25% tax rebate on all direct production expenditures, including New Mexico crew, that are subject to taxation by the State of New Mexico. It applies to feature films, independent films, television, regional and national commercials, documentaries, video games and post-production. Non-resident actors and stunt performers will also qualify under a separate tax structure. An additional 5% credit is available for either (1) direct production expenditures for qualifying television series; or (2) payments to resident crew (wages and fringes only) for services during production in New Mexico if a production utilize a qualifying soundstage for a minimum of 10 or 15 days of principal photography. (Days required are determined by total New Mexico budget.) New Mexico also offers the Film Crew Advancement Program, which is an incentive for production companies to help create more job opportunities for New Mexican film and television crew professionals. A production company is reimbursed 50% of a participant's wages for up to 1040 hours physically worked by the qualifying crew member in a specialized craft position.</p> <p>Also, as an incentive, the state will issue a certificate which is presented at the point of sale and no gross receipts tax is charged. This incentive cannot be used in conjunction with the 25% tax rebate. In 2011, the legislature placed a \$50 million cap on film production credits and staggered payment schedules over two or three years.</p>
New York	The state offers a Film Production Credit a 30% fully-refundable tax credit on qualified expenses while filming in the state. A 30% to 35% post production tax credit is also available, regardless of filming location. Refundable tax credits available for qualified commercials with added incentives for companies increasing volume of work in New York are available and there are film production activities/expenses that are exempt from state and local sales and use taxes. Also a film investment tax credit of up to 5% on investments in construction and upgrades to qualified film production facilities plus employment incentive tax credits for two additional years.

<p>North Carolina</p>	<p>Qualified productions that reach the minimum spending threshold (depending on the type of media produced) are eligible for a grant worth up to 25% of their per project cost cap for expenses related to goods, services, compensation and wages, fringes, per diems, living expenses, and stipends. Eligible productions include TV series (average cost per episode), feature length films, and commercials with a state program cap of \$40 million per fiscal year. All productions that request state funds are required to complete a state audit</p>
<p>North Dakota</p>	<p>No incentive program.</p> <p>However, film companies may qualify for an income tax exemption. The income tax exemption is available to "primary sector businesses which add value to a product, process or service which creates new wealth." This exemption requires approval by the State Board of Equalization.</p>
<p>Ohio</p>	<p>The Ohio Motion Picture Tax Credit provides a refundable tax credit that equals 25% off in-state spend and non-resident wages and 35% in Ohio resident wages on eligible productions. Eligible productions must spend a minimum of \$300,000 in state. Ohio also exempts Bed Taxes for stays of 30 consecutive days or more.</p>
<p>Oklahoma</p>	<p>The Oklahoma Film Enhancement Rebate offers a cash rebate of 35-37% on qualifying Oklahoma expenditures to film and television productions filming in the state.</p> <ul style="list-style-type: none"> <li>• The rebate is extended to film, television and commercial productions.</li> <li>• The company must have a minimum budget of \$50,000 and spend \$25,000 in Oklahoma.</li> <li>• The rebate offers a base percentage of 35% on qualified Oklahoma expenditures. If a minimum of \$20,000 is spent on music that has been recorded in Oklahoma, an additional 2% is added to the total rebate on qualified Oklahoma expenditures.</li> <li>• The company must provide proof of complete financing prior to commencement of principal photography. If the film is not bonded, no rebate money will be released until evidence is provided that all Oklahoma crew and vendors have been paid, along with evidence that there are no liens against any production company in the state of Oklahoma.</li> <li>• General liability insurance with minimum coverage of \$1 million, and workers' compensation policy pursuant to state law are required..</li> </ul>
<p>Oregon</p>	<p>The Oregon Production Investment Fund offers qualifying film or television productions a 20% cash rebate on production-related goods and services paid to Oregon vendors and a 10% cash rebate of wages paid for work done in</p>

	<p>Oregon including both Oregon and non-Oregon residents. The labor portion of this rebate can be combined with the Greenlight Oregon program for an effective labor rebate of 16.2%. A production must directly spend at least \$1 million in Oregon to qualify. There is no per production cap. The i-OPIF program will provide rebates of 20% of goods and services and 10% of Oregon labor for films produced by Oregon filmmakers who spend a minimum of \$75,000, up to the first \$1 million of their spend. Also, the state has no general sales and use tax and lodging taxes are waived for rooms held longer than 30 days.</p>
<p>Pennsylvania</p>	<p>The state offers a 25% Tax Credit to films that spend at least 60% of their total production budget in the Commonwealth. Eligible projects include: feature films, TV films, TV talk or game show series, TV commercials, and TV pilots or episodes. The production may be eligible for an additional 5% credit if the production is intended for a national audience. Additionally, film cast and crew staying 30 or more consecutive days in a Pennsylvania hotel are not obligated to pay the Pennsylvania hotel tax. Pennsylvania departments and agencies also provide access to state owned property at no cost (other than costs incurred by the agency or department) for the making of commercial motion pictures.</p>
<p>Puerto Rico</p>	<p>Puerto Rico offers a 40% production tax credit on all payments to Puerto Rico resident companies and individuals and a 20% production tax credit on all Nonresident Qualified spending. Qualifying projects include video games, feature films, short films, documentaries, television programs, series in episodes, mini-series, music videos, national and international commercials, recorded live performances and original sound track recordings and dubbing.</p> <p>There is a \$100,000 minimum spend requirement per project and if 50% or more of production is developed in the island, development payments to Puerto Rico resident companies and individuals and Nonresident "Above-the-Line" can qualify.</p> <p>There are no per project or individual wage caps and no cap on credits for payments to Nonresident Qualified spending. Payments made to Nonresident Qualified spending are subject to a 20% withholding over their Puerto Rico sourced income.</p> <p>The annual cap on credits for payments to Puerto Rico resident companies and individuals is \$50 million (which may be expanded up to \$350 million if incurred partially in a <u>Film Development Zone</u>)</p>

Rhode Island	<p>The Motion Picture Production Tax Credit provides a 25% transferrable tax credit for costs incurred directly attributable to activity within the state. It also includes salaries for people working on the ground in the state. To qualify, a minimum of \$100,000 must be spent, and at least 51% of shooting must take place in Rhode Island. There is a \$15 million annual cap on the program and a \$5 million cap per project, which may be waived.</p>
South Carolina	<p>Productions that film in South Carolina can receive up to a 25% cash rebate on in-state employee wages. Out-of-state performing artists (including stunt performers) are eligible for a 20% cash rebate. Additionally, the state offers up to a 30% cash rebate on in-state supplier expenditures if at least \$1,000,000 is spent in the state.</p> <p>The 20% wage rebate applies to any employee of the production whose wages are subject to the withholding tax and earns less than \$1,000,000. The 30% supplier rebate applies to all goods and services acquired from a South Carolina supplier.</p> <p>In addition, all productions spending over \$250,000 in the state are exempt from sales and accommodations taxes and all film productions are eligible to use state properties location fee-free.</p>
South Dakota	<p>No incentive program.</p>
Tennessee	<p>Tennessee offers a 25% cash rebate for qualifying Tennessee labor and vendor expenditures, which includes music. Additionally, hotel guests in Tennessee are eligible for a refund of the Hotel Occupancy Tax after 30 continuous days. After 90 days, the guest will no longer be charged the Occupancy Sales tax. State owned buildings and land are also available for free use.</p>
Texas	<p>The Texas Moving Image Industry Incentive Program offers qualifying feature films, television programs, commercials, video games, and stand-alone post-production/finishing projects the opportunity to receive a payment of 5 to 20% of eligible Texas spending upon completion of a review of their Texas expenditures. An additional 2.5 % payment may be available for locating a project in an underutilized or economically distressed area. The state also offers Up-front Sales Tax Exemptions on most items rented or purchased for direct use in production; Refunds of the 6% State Occupancy Tax on hotel rooms occupied for more than 30 consecutive days; and Refunds on Fuel Tax paid on fuel used off-road.</p>
Utah	<p>The state offers a Motion Picture Incentive Fund. This is a post-performance rebate of production dollars spent in the state of Utah. An approved production will be rebated 20% to 25% on every dollar spent in the State of Utah. A production must spend a minimum of \$200,000 in the state to qualify for a</p>

	<p>20% tax credit, and \$1,000,000 in the state to qualify for a 25% tax credit. Additionally, the state offers a tax exemption that allows film, television and video productions to take a sales tax exemption at the point of sale on machinery and equipment. Also, there is an exemption from the transient room tax. Accommodation charges for stays of 30 consecutive days or longer are exempt from sales and use tax and all sales-related taxes.</p>
Vermont	<p>Vermont offers the following incentives: a hotel tax exemption, sales and use tax exemption for direct production expenses and income tax for performers limited to the amount performers would pay in their home states.</p>
Virginia	<p>Beginning in 2011, the state offers Motion Picture Production Tax Credits. The base credit available is 15% of all qualifying expenses (including wages), with a bonus of 5% if the production is filmed in an economically distressed area of the Commonwealth, making the total base credit available up to 20% of qualifying expenses. The production company is allowed an additional credit of 10 to 20% of aggregate payroll for Virginia residents employed in connection with the motion picture production. For companies that spend at least \$250,000 in total production costs in the Commonwealth, but not more than \$1 million, the credit will equal 10% of the total Virginia resident aggregate payroll. For companies that spend over \$1 million in total production costs in the Commonwealth, the credit will equal 20% of the total aggregate Virginia resident payroll. In addition to the above outlined credits, companies may claim a credit of 10% of their total aggregate payroll for Virginia residents who are employed as first time actors or first time members of a production crew in connection with a production in Virginia. Additionally, there are state sales and use tax exemptions and state and local lodging tax exemptions.</p>
Washington	<p>Washington Filmworks (WF) offers funding assistance of up to 30% of total in-state qualified expenditures (including labor and talent who are state residents) for film production and episodic series with less than six episodes, and up to 35% for episodic series with at least six episodes. The Commercial Business Development Plan offers incentive for commercial production. Funding assistance is available as a 15% return on qualified in-state spending if the client is using an out-of-state production company and 25% return on qualified in-state spending if the client is using a Washington based production company. To qualify for these incentives, motion picture projects must spend at least \$500,000 in-state, episodic series must spend \$300,000 and commercial projects must spend \$150,000.</p> <p>The state also provides exemptions for sales and use taxes, and hotel/lodging taxes.</p>
West Virginia	<p>The state has transferable tax credits of up to 31% of qualified in-state spend (27% base plus 4% if 10 or more West Virginia residents hired full time). The</p>

	<p>program is funded at \$5 million annually and there are project caps. Productions must spend a minimum of \$25,000. Eligible projects include feature length films, TV films and series, commercials, music videos, and commercial still photography.</p> <p>Additionally, purchases and rentals of tangible personal property directly used in an "Entertainment Production Project" and purchases in West Virginia of services directly used in an "Entertainment Production Project" are exempt from the 6% (consumers sales and service tax. Also, there is a lodging tax exemption from the state consumers sales and service tax (6%) and exemption from the local hotel/motel Tax (varies per region) on lodging stays in excess of 30 consecutive days per person at the same facility</p>
Wisconsin	No incentive program.
Wyoming	The Film Industry Financial Incentive program is a cash rebate program for production companies of up to 15% on dollars spent in the State of Wyoming during a film shoot. The production company would have to spend a minimum amount of \$200,000 to qualify and then meet additional criteria to determine the rebate percentage between 12% and 15%.