

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Smith **ORIGINAL DATE** 02/01/08 **LAST UPDATED** 02/04/08 **HB** _____

SHORT TITLE Film Production Tax Credit Annual Cap **SB** 519

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	\$11,600.0	\$26,600.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
NM Film Office

Responses Received From

New Mexico Film Office (NMFO)
Taxation and Revenue Department (TRD)

SUMMARY

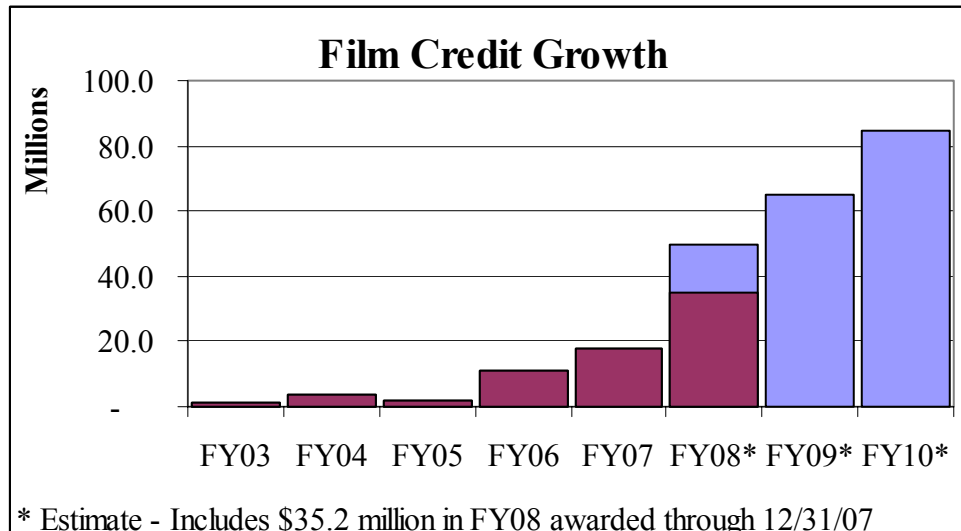
Synopsis of Bill

Senate Bill 519 would put a \$30 million cap on the Film Production Tax Credit. Refunds up to \$15 million would be approved for productions twice per year and would be allocated on a prorated basis. The effective date would be January 1, 2008, and the bill carries an emergency clause.

FISCAL IMPLICATIONS

The film production tax credit has grown significantly as the percent of the rebate has been increased to 25 percent and the number of large productions has grown.

For FY07, the state approved \$17.6 million in refundable tax credits to production companies that spent \$158.7 million in the state. The 25 percent credit became effective at the beginning of 2007, and in the first six months of FY08 tax refunds totaling \$35.2 million have been approved for 22 film and media projects. At this pace, the film production tax credit will cost the general fund more than \$50 million in FY08.



By capping the credit at \$30 million, the bill has a positive revenue impact of \$12.5 million in FY09, and \$27.8 million in FY10. It's assumed that the second half of FY08 will not exceed the \$15 million half-year cap and so no fiscal impact. With an effective date of January 1, 2008, the cap would be in place for only half of FY08. The FY09 and FY10 estimates assume conservative 10 percent growth in production expenditures. The NM Film Office has reported that all film activity will cease if the credit is capped so the fiscal impact has used a conservative growth assumption. There is also a GRT impact since the expenditures that are no longer qualifying would be eligible for the GRT deduction for film services. See technical issues for more discussion on the GRT deduction.

Approved Film Production Tax Credits

	FY08*	FY09*	FY10*	FY11*
Number of Approved Applications	44	50	55	60
Total Spending Under Current Lay	\$ 200,000	\$ 220,000	\$ 242,000	\$ 266,200
Approved Film Credits (\$000)	\$50,000	\$55,000	\$60,500	\$66,550
SB 519	\$ 15,000	\$30,000	\$30,000	\$30,000
Difference	\$ -	\$25,000	\$30,500	\$36,550
GRT Impact		-\$933	-\$1,138	-\$1,363

Fiscal Impact \$11,568 \$26,612 \$32,162

* Estimate - \$35,244 have been awarded through 12/31/07 for 22 projects; FY08 assumes that the second half of the year is subject to cap.

Source: LFC

TRD has assumed that film production activity will decline to the amount supported by \$30 million tax credit available or \$120 million (down from the estimated \$200 million in FY08). Using a slightly different methodology, TRD has come up with similar impacts to the LFC analysis. LFC, however, has taken the growth in film expenditures from its incredible 50 percent

to 150 percent rate down to a modest 10 percent while TRD assumes that under current law the growth rate will be 10 percent and takes the growth down from there.

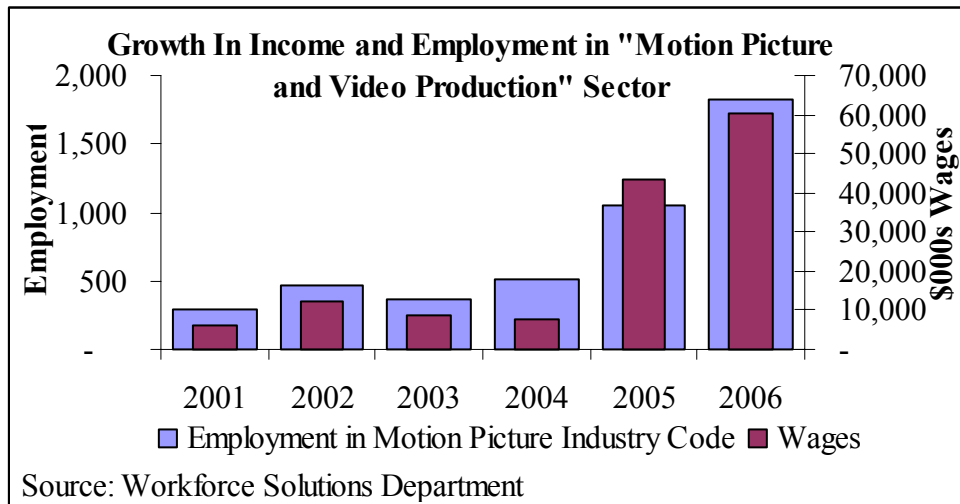
Because the tax credit would be allocated on a prorated basis, no application would be denied a credit, but the effective rate of the credit would vary. For example, if 10 productions, totaling \$146.7 in expenditures, applied for the \$15 million worth of credits, the effective rate becomes 10.2 percent.

Film Cap Scenario – First half

Qualifying Expenditures	25% credit	Prorated formula	Prorated credit	Effective credit
\$12,500,000	\$3,125,000.00	0.409	\$1,277,707.98	10.20%
\$7,000,000	\$1,750,000.00	0.409	\$715,516.47	10.20%
\$30,000,000	\$7,500,000.00	0.409	\$3,066,499.16	10.20%
\$650,000	\$162,500.00	0.409	\$66,440.82	10.20%
\$9,851,235	\$2,462,808.75	0.409	\$1,006,960.13	10.20%
\$8,756,985	\$2,189,246.25	0.409	\$895,109.57	10.20%
\$20,000,000	\$5,000,000.00	0.409	\$2,044,332.77	10.20%
\$4,256,879	\$1,064,219.75	0.409	\$435,123.86	10.20%
\$45,875,624	\$11,468,906.00	0.409	\$4,689,252.08	10.20%
\$7,856,423	\$1,964,105.75	0.409	\$803,057.15	10.20%
\$146,747,146	\$36,686,786.50		\$15,000,000.00	10.20%

SIGNIFICANT ISSUES

New Mexico offers the most generous film incentive package in the country. Film productions are attracted to New Mexico principally because the credit cuts their production costs by one-quarter, making New Mexico one of the most cost-effective locations to shoot films. There is no question that the credit has brought these film productions to New Mexico and significantly increased employment in the sector. This does not count indirect employment in catering, equipment rental and other industrial sectors that have benefited from the increase in film activity.



With a tax credit applied on a prorated basis, film productions cannot accurately project the amount a tax credit will offset its production costs. As such, the cap may reduce the number of films shooting in New Mexico.

The NM Film Office:

The proposal to cap the film rebate and allocate money in six month increments would not slow down or diminish the amount of film production in the state, it would end film production activity in the state altogether. No production company or studio would choose to film in New Mexico if the percentage of their tax benefits were completely unknown until after the completion of their project. This is a risk that is simply not worth taking. There are 37 other film incentive states representing 37 other options.

The New Mexico Film Office asserts that the film program is designed to return money to the state. Eric Witt of the Governor's Office reports that an Oxford Economics study of the UK film industry is a useful example of a film impact study.¹ This study showed a net *revenue* benefit of 1.1 billion pounds tax revenue to the government on a total impact of 4.3 billion pounds. However, it is important to keep in mind that the United Kingdom has a different tax structure including a graduated income tax rate starting at 10 percent going to 44 percent on income over approximately \$70,000, a national insurance tax of 11 percent and corporate income tax of 20 to 30 percent. There are other state studies that are more applicable to New Mexico but most of these do not try to capture the fiscal benefit only the economic activity.

LFC has culled multipliers from two studies and also used the NM Film Office of 3.0x multiplier and attempted to illustrate how the fiscal impacts would flow through the economy.² The Arizona Department of Commerce commissioned a study of the film industry in 2004. That study shows an output multiplier of 1.88, meaning for every \$1 in direct expenditure generates an additional \$0.88 in the economy.³ Another study done by EcoNorthwest, a reputable economic research firm, on the Seattle film industry finds the multiplier to be higher at 2.28.⁴

LFC analysis, on the following page and meant to be a guide and not a definitive analysis, shows that in net the credit is not likely to return as much in revenue to the state as it costs. Even using the higher NM Film Office multiplier, the impact is a net cost to the state of \$4.5 million. The assumptions are noted in the footnotes of the table. In particular, LFC used only 75 percent of the reported film expenditures spent in NM recognizing that there are productions that do not apply for the rebate for a variety of reasons. Also, the rebate is only paid when a company files a tax return so the actual amount of credit in the table may not match numbers reported by TRD.

LFC asked economists at NMSU to review the analysis and they reported that the LFC analysis is more likely to overestimate the gross receipts tax attributable to activity. **The table changed from a previous version due to the double counting of some gross receipts taxes.**

A detailed economic impact analysis of the film and media industry needs to be completed. Such a study would include a justified economic multiplier and estimates of tax revenue to the state that are specific to the New Mexico economy. The study would help determine if the production credit and all of the other incentives for film production in the state are reasonable and economically effective.

¹ <http://www.ukfilmcouncil.org.uk/media/pdf/5/8/FilmCouncilreport190707.pdf>

² An economic multiplier is an estimate of how much additional activity is generated in the economy from a direct expenditure. A multiplier of 2x for example means that for \$1 in direct input, another \$1 is generated by additional economic activity.

³ <http://www.azcommerce.com/film>

⁴ A 2003 study on the Washington film industry found that for every dollar spent in the industry an additional \$1.27 was generated in the economy (http://www.seattle.gov/filmoffice/docs/Seattle_FilmStudy2003.pdf).

RUDIMENTARY ANALYSIS COMPARING MULTIPLIERS

	Seattle Study	Arizona Study	Film Office	Average
Amount Spent in NM in 2007 (1)	159,900,000	159,900,000	159,900,000	159,900,000
Credit at 25% (2007) (2)	29,981,250	29,981,250	29,981,250	29,981,250
Multiplier	2.28	1.88	3.00	2.16
Total NM Impact	363,830,435	300,077,552	479,700,000	344,602,166
State and Local GRT (at 6.9%) from production (3)	24,376,639	20,105,196	32,139,900	23,088,345
State share	14,625,983	12,063,118	19,283,940	13,853,007
Payroll (35% of Total Impact)	127,340,652	105,027,143	167,895,000	120,610,758
Personal Income Tax (4)	3,438,198	2,835,733	4,533,165	3,256,490
Corporate Income Tax (.35% effective rate derived from CIT revenue divided by GDP by state)	1,273,407	1,050,271	1,678,950	1,206,108
Revenues (State Only)	19,337,588	15,949,122	25,496,055	18,315,605
Revenues (Local Government GRT)	9,750,656	8,042,078	12,855,960	9,235,338
Net State Benefit/(Cost)	(10,643,662)	(14,032,128)	(4,485,195)	(11,665,645)
Net Local Benefit/(Cost)	9,750,656	8,042,078	12,855,960	9,235,338
Net State Benefit per Dollar Cost	\$ (0.36)	\$ (0.47)	\$ (0.15)	\$ (0.39)
Employment				
Direct Employment	1,500	1,500	1,500	1,500
Employment Multiplier	2.20	2.78	3.00	2.66
Total Employment	3,300	4,170	4,500	3,990

(1) NM Film Office Statistic

(2) Expected value of credit at 25 percent. Credit not earned until a return is filed; 75% of expenditures apply for credit.

(3) Assumes total NM Impact is subject to GRT even though, for all industries, only 53 percent of gross receipts is taxable.

(4) Effective rate of 2.7 percent based on personal income tax liability divided by reported adjusted gross income.

Source: LFC analysis

In addition to the 25 percent tax credit on expenditures, New Mexico offers zero-interest loans from the State Investment Council and wage subsidies through the Job Training Incentive Program. The state also has invested \$22 million in capital outlay appropriations in media production education programs at New Mexico’s colleges and universities. These subsidies, coupled with New Mexico’s varied landscape and proximity to Los Angeles, have led to significant growth in the number of films made in the state.

Film Incentives in NM

- **25 percent production credit**
- **Zero percent film loans**
- **Gross receipts tax deduction**

- **JTIP training**
- **Capital outlay for media education**

While other states offer tax credits, some greater than New Mexico's 25 percent rate, many are nonrefundable, transferable, or capped, making them less generous or more burdensome for the industry. Missouri, for example, offers a 50 percent tax credit, but the program is capped at \$1 million per project. Oklahoma offers a 15 percent rebate to productions, capped at \$5 million per year. In Louisiana, a major competitor for film projects, production companies may receive tax credits up to 35 percent of expenditures, but they are nonrefundable. In addition, many other states only apply the tax credits to larger projects, typically those spending more than \$300 thousand. Attached is a report from the National Conference of State Legislatures on the tax incentives of different states.

The number of large productions in New Mexico continues to grow. Albuquerque Studios is operating at full capacity and two other film studios are planned for New Mexico. Post production activities now qualify for the credit, and at least one post production company, Sony Imageworks, plans to open a facility in New Mexico. The growing number of productions and expanded definitions of qualifying expenditures will increase the amount of credits paid by the state.

TECHNICAL ISSUES

The methodology of prorating the credits could pose problems for the GRT deduction. Under current law, the credit can only be taken for taxable expenditures. If only part of the credit is taken, then some of the expenditures could theoretically be deducted from the GRT but the way the prorating works, it is likely the GRT paying firm has already submitted the GRT to TRD and would have to know how many of its expenditures were prorated out.

ALTERNATIVES

A number of alternatives exist to reduce the revenue impact of this credit, including:

- Reduce the 25 percent credit rate. At 15 percent, the credit would exceed \$43 million for FY08. By reducing the credit, film production could plan more effectively at the lower rate and this would address the NM Film Office's concern that film production companies need a known and knowable credit.
- Make the credit, or some percentage of it, non-refundable, although this would significantly limit the effectiveness of the credit as an incentive. Most other states have a transferable credit or one that can be carried forward for a number of years; few have a refundable credit.
- Add a minimum expenditure to qualify for the credit – e.g. \$300,000 – to prevent small productions, like advertisements, from claiming the credit.

NF/nt

ATTACHMENT



State Tax Incentives for Film Production

January 2007

Alabama

Alabama offers sales tax and lodging tax abatements for qualified productions. In addition, a comprehensive legislative package is being assembled and will be introduced in March 2007 legislative session.

Web Sites: <http://www.ador.state.al.us/taxincentives/index.html> or <http://alabamafilm.org/filmmakerincentives.htm>

Alaska

Alaska has no state sales and income tax.

Web Site: <http://www.alaskafilm.org>

Arizona

Arizona offers the following incentives:

- **Transaction Privilege Tax Exemption** on:
 - Purchased machinery, equipment and other tangible personal property,
 - Job printing, embossing, engraving and copying,
 - Leased or rented lodging space,
 - Sales of catered food, drink and condiments, and
 - Construction contracts for buildings and other structures.
- **Use Tax Exemption** - on machinery, equipment and other tangible personal property.
- **Income Tax Credit** - an Arizona transferable income tax credit equal to 10%, 15% or 20% of the company's investment in eligible Arizona production costs.

Web Site: <http://www.azcommerce.com/film/incentives.asp>

Arkansas

The Arkansas Motion Picture Incentive Act of 1997 allows for a refund of the state sales tax paid on Arkansas businesses, services and residents hired as cast and crew during a production. The film company must spend a minimum of \$500,000 in Arkansas on one project within a six-month period or a minimum of \$1-million on multiple projects within a 12-month period.

Web Site: http://www.1800arkansas.com/film/index.cfm?page=tax_information

California

The state offers a 5 percent sales tax exemption on the purchase or lease of post-production equipment for qualified persons. (Exemption is taken by the seller of the equipment and passed on to the buyer at the point of purchase.)

California also has the STAR program, which provides surplus state-owned assets for motion picture production. Through this program unused state properties such as health facilities and vacant office structures are available at no charge or a nominal fee to filmmakers.

The Film California First program directly reimburses production companies certain costs associated when filming on public property. These reimbursements fall into four categories: personnel - available for public employees assigned to work on film shoots; permits - any permit costs associated with filming on state property; public property fees - those costs associated with filming on state properties; and public equipment fees - the costs incurred when using equipment mandated by the state on public property. Recent enhancements to the program include increased reimbursement levels as well as an expansion of the number of shoots that could be considered for reimbursement. The program is capped at \$300,000 per production.

This program is currently not funded.

Web Sites: http://www.film.ca.gov/state/film/film_homepage.jsp and <http://www.filmcafirst.ca.gov>

Colorado

No lodging tax on hotel rooms for production companies after 30 days.

Web Site: <http://www.coloradofilm.org>

Connecticut

30% DIGITAL MEDIA & MOTION PICTURE TAX CREDIT - Public Act No. 06-186

In the 2006 session, the Connecticut General Assembly established tax credits for the production of digital media and motion pictures in Connecticut. The legislation calls for a tax credit equal to 30% of qualified digital media and motion picture production, preproduction and postproduction expenses incurred in the state that exceed \$50,000.

No lodging tax on hotel rooms for production companies after 30 days.

Web Site: <http://www.cultureandtourism.org/cct/cwp/view.asp?a=2126&q=302534&cctPNavCtr=|#43532>

Delaware

Delaware has no state sales tax.

Web Site: <http://www.state.de.us/dedo/filmoffice/default.shtml>

Florida

The state of Florida offers a cash reimbursement of up to 15% on the total Florida budget of a filmed entertainment program that spends at least \$850,000 in qualified expenditures. The maximum reimbursement that may be given is \$2 million. The Florida Entertainment Industry Financial Incentive was created on July 1, 2004, which allows for companies engaged in digital media production to apply for a rebate of up to 5% of the company's annual gross revenues.

In addition, A qualified digital media effects company which furnishes digital material to filmed entertainment may be eligible for a rebate of 5% of its annual gross revenues, not to exceed \$100,000. A qualified relocation project may be eligible for a rebate of 5% of its first 12 months of gross revenues in Florida, not to exceed \$200,000.

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 on the purchase or lease of certain items used exclusively as an integral part of the production activities in Florida.

Web Site: <http://www.filminflorida.com/>

Georgia

The Georgia Entertainment Industry Investment Act grants a base tax credit to qualified productions, as well as additional credits for employing Georgia talent and shooting in underdeveloped counties. It is available not only to traditional motion picture projects such as feature films, television series, commercials and music videos, but also innovative new industries such as game development and animation. The foundation of the act is a 9 percent investment tax credit available to production companies that spend a minimum of \$500,000 in the state on qualified production expenditures in a single year.

Georgia also offers a sales & use tax exemption for film, video, broadcast and music production companies working in Georgia. Qualified companies can get an immediate point-of-purchase sales tax exemption that will save productions up to 8 percent on most below-the-line materials and service purchases, leases or rentals.

Web Site: <http://www.filmgeorgia.org>

Hawaii

Hawaii offers a non-refundable income tax credit applicable to Hawaii taxpayers that invest in qualified companies producing "performing arts products," including film, television, video, audio, and animation products. The credit is equal to 100% of the investment amount, payable over five years.. This credit was established by Act 221 in 2001 and amended by Act 215 in 2004, hence it is commonly referred to as "Act 221" or "Act 215."

Also, the Motion Picture, Digital Media and Film Production Income Tax Credit is a refundable tax credit of 15 percent of total production

expenditures while filming on Oahu and 20 percent on other islands. Royalties derived from performing arts products are excluded from a Hawaii taxpayer's income and not subject to state income tax.

Web Site: <http://www.hawaiifilmoffice.com/incentives-tax-credits>

Idaho

New film incentive legislation was adopted in 2006. It provides for a rebate of the 6% sales tax on tangible personal property when \$200,000 is spent on a wide variety of qualifying expenses. In addition, Lodging tax of 2% and sales tax of 6% on lodging is fully waived for all visiting production companies after 30 days.

Web Site: <http://www.filmidaho.org>

Illinois

The Illinois Film Production Tax Credit was expanded in 2006 to provide a 20% income tax credit on all production costs, including post-production. The spending requirements are: \$100,000 for a production over 30 minutes and \$50,000 for a production under 30 minutes. The Hotel/motel tax of 14.9% is rebated if the stay is longer than 30 days. There is also an exemption from all state sales tax on film processing of 35mm film.

Web Site: <http://www.illinoisbiz.biz/film/index.html>

Indiana

There is no fee to film on state property. Also, no lodging tax on hotel rooms for production companies after 30 days.

Web Site: <http://www.in.gov/film>

Iowa

There is no fee for use of state property. No lodging tax for continuous stays of 30 days or longer, provided the original contract is for 30 days or more.

Web Site: <http://www.traveliowa.com/film/>

Kansas

No lodging tax on hotel rooms for production companies after 28 days.

Web Site: <http://kdoch.state.ks.us/kdfilm/index.jsp>

Kentucky

The Kentucky Tax Rebate Program entitles eligible production companies to a refund of the 6% sales and use tax on expenditures made in connection with the production. Expenditures must be paid through a Kentucky financial institution.

Web Site: <http://www.kyfilmoffice.com/taxrebateinfo.htm>

Louisiana

Louisiana offers three tax incentive programs. A sales and use tax (4%) exclusion is available to companies that anticipate spending more than \$250,000 in Louisiana within a consecutive 12-month period (only applies to productions that were certified prior to Jan. 1, 2006). A labor tax credit of 10% is also available to production companies that employ Louisiana residents. And if the base investment is greater than \$300,000, an investment tax credit of up to 25% can be claimed for investing in Louisiana-based productions.

Web Site: <http://www.lafilm.org/incentives/index.cfm>

Maine

Maine's Attraction Wage Tax Rebate offers producers of certified productions a rebate equal to 10 percent of the amount spent on wages for non-Maine residents and 12 percent of the amount spent on wages for Maine residents. Wages in excess of \$1 million to a single individual are not eligible.

Maine's Income Tax Rebate program offers a company that invests in production an income tax credit equal to the amount paid on profits made by the production. To be eligible for either rebate, a project must spend at least \$250,000 or more on production related expenses in Maine, but it doesn't need to be on a single project. No lodging tax on hotel rooms for production companies after 28 days.

Web Site: <http://www.state.me.us/decd/film>

Maryland

Maryland's "Film Production Activity - Sales and Use Tax Exemption" provides for exemptions on property and services used in connection with filming activity. The type of activities that are free of the 5% sales and use tax and are considered "services" include editing, film processing, voiceovers, looping, and animation and special effects.

Web Site: <http://www.marylandfilm.org/incentives.htm>

Massachusetts

The Massachusetts Motion Picture Tax Incentive offers film companies:

- A 20% tax credit based on a production's total payroll in the state, with the exception of employees who make more than \$1 million.
- Filmmakers could also get a 25% tax credit based on all production expenses in the state, as long as at least half of the film is shot in Massachusetts, or half of the expenses are spent in the state.
- Companies could carry tax credits forward for up to five years or sell to another corporate taxpayer.
- Any production spending more than \$250,000 would also be exempt from paying sales tax on equipment they buy in the state.
- Any production spending more than \$250,000 in the state would be eligible, but total tax credits would be capped at \$7 million per production.

Web Site: <http://www.massfilmbureau.com/>

Michigan

A new film incentive package was adopted in 2006 that provides a graduated scale for credits depending on how much a company spends in Michigan. Between \$200,000 and \$1 million, a company receives a 12 percent rebate; between \$1 million and \$5 million, a 16 percent rebate; between \$5 million and \$10 million, a 20 percent rebate; and anything over \$10 million is a 20 percent credit on the first \$10 million spent. Rebates are limited to a total of \$7 million annually and are first come, first served.

To qualify for the tax credits a film company must:

- Spend at least \$200,000 in Michigan;
- Submit an application to the Michigan Film Office and state treasury for pre-approval of credits; and
- Not owe the state any money, guaranteed loans or be in default with the state.

Web Site: http://www.michigan.gov/hal/0,1607,7-160-17445_19275_37781---,00.html

Minnesota

Television commercial production and post-production companies are exempt from the 6.5% state sales tax. Also, no lodging tax on hotel rooms for production companies after 30 days. Minnesota offers a 15% rebate of Minnesota production costs to eligible producers of feature films, TV series, documentaries, commercials and music videos. "Snowbate" is funded through fiscal 2009.

Web Site: <http://www.mnfilmtv.org>

Mississippi

A 10% tax credit against payroll is now available for production companies that hire Mississippi residents. Also the state sales tax is reduced to 1.5% for production company-related equipment purchases. The state sales tax is eliminated for purchases of expendable items. Mississippi also offers a 10% rebate on investment in in-state production related expenditures.

Web Site: <http://www.visitmississippi.org/film/index.asp>

Missouri

The state's "Film Production Tax Credit" allows a production company to get state income tax credits of up to 50% of the company's expenditures in Missouri. To qualify, the production company must spend \$300,000 or more in the state. Up to \$1 million in tax credits is available per project.

Web Site: <http://www.ded.mo.gov/business/filmcommission/html/incentives.htm>

Montana

The Big Screen Act provides:

- 12% rebate based on hired Montana Labor
 - Applies to first \$50,000 of wages per Montana resident.
- 8% rebate based on qualified expenditures- Includes hotel and lodging expenditures, production equipment rental, fuel costs, expendables, lumber/construction materials, vehicle rentals, and food expenditures.

Montana has no state sales tax, although local communities may have a local tax of up to 4%. No lodging tax on hotel rooms for production companies after 30 days.

Web Site: http://www.montanafilm.com/taxlaws_03.htm

Nebraska

No lodging tax on hotel rooms for production companies after 30 days.

Web Site: <http://www.filmnebraska.org/permits.htm>

Nevada

Nevada has no state income tax. There is also a reduced lodging tax for production companies.

Web Site: <http://www.nevadafilm.com>

New Hampshire

There is no state income tax or sales tax in New Hampshire.

Web Site: <http://www.nh.gov/film/>

New Jersey

New Jersey offers a tax credit in an amount equal to 20% of qualified production expenses, available to production companies meeting certain criteria, chiefly:

(1) At least 60% of the total expenses of a project, exclusive of post-production costs, will be incurred for services performed and goods used or consumed in New Jersey.

(2) Principal photography of a project commences within 150 days after the approval of the application for the credit.

In addition, certain tangible property used in the production of films and television programs is exempt from New Jersey's 6% sales tax. The Film Production Assistance Program allows film projects to be eligible for loan guarantees through the New Jersey Economic Development Authority. Loan guarantees cannot exceed 30% of the bank financing cost of the project, or \$1.5 million, whichever is less.

Web Site: <http://www.njfilm.org/>

New Mexico

New Mexico offers a tax rebate of up to 25 percent of direct production expenditures made in the state that are subject to taxation. The State also offers an exemption of the 6% gross receipts tax, but you cannot qualify for both of these programs. Also, New Mexico offers a loan, with participation in lieu of interest, up to \$15 million per project, (which can represent 100% of the budget) for qualifying feature films or television projects. Terms are negotiated and budget must be at least \$1 million. No lodging tax on hotel rooms for production companies after 30 days.

Web Site: <http://www.nmfilm.com>

New York

Legislation establishing the Empire State Film Production Credit was signed into law on August 20, 2004. Designed to bring new film and television production into New York State, the program provides a fully-refundable tax credit equal to 10% of qualified expenditures to qualifying film and television productions. The program will be administered by the New York State Governor's Office for Motion Picture & Television Development.

The program applies to qualified expenditures incurred on or after August 20, 2004 (regardless of whether the production commenced before the legislation was signed into law), and is currently scheduled to expire in 2011.

New York City provides an additional 5% credit and also provides free permits at public locations as well as location parking for essential production vehicles. In addition, police officers are provided at no cost. Both the State and City of New York provide a comprehensive sales and use tax exemption for machinery, equipment, and services used in production and postproduction.

Web Site: <http://www.nylovesfilm.com/index.asp>

North Carolina

2006 legislation provides for a full 15% tax credit on productions over \$250,000, and not exceeding a credit per project over \$7.5 million. In addition, motion picture production companies are entitled to a cap of 1% on sales and use tax purchases or rentals of items used in the making of films.

Web Site: <http://www.ncfilm.com>

North Dakota

Web Site: <http://www.ndtourism.com>

Ohio

Web Site: <http://www.ohiofilm.com>

Oklahoma

The Oklahoma Film Enhancement Rebate program offers a rebate of up to 15 percent of Oklahoma production expenditures to companies filming in the state capped at \$5 million per year. Specifics:

- The rebate is extended to film, television and commercial productions
- A company must have a minimum budget of \$2 million and spend \$1.25 million in Oklahoma. The minimum budget requirement is cumulative so that companies producing multiple projects in a fiscal year with a minimum budget of \$300,000 and totaling at least \$2 million will qualify.
- A company must employ Oklahoma residents for at least 50% of its below-the-line crew to qualify for full 15% rebate. Rebates of 5% are available if a company employs up to 24% Oklahomans and 10% for companies who employ 25 to 49% Oklahomans. If the budget is \$30 million or higher, this requirement is waived.
- The hiring of Oklahoma expatriates counts toward the tier requirements and the \$1.25 million Oklahoma expenditure requirement.

Also, no sales tax on hotel rooms for production companies after 30 days.

Web Site: <http://www.otrd.state.ok.us/filmcommission>

Oregon

The Oregon Production Investment Fund rebates 10% of Oregon-based production expenses (including labor!) and the Greenlight Labor Rebate offers qualifying productions an additional cash payment of up to 6.2% of wages paid to production personnel. These incentives are cash rebates as opposed to tax credits. In addition, Oregon has no state sales tax.

Web Site: <http://www.oregonfilm.org>

Pennsylvania

Pennsylvania provides for a 6 percent sales tax exemption for film production companies that produce for a national audience. Assignable corporate, partnership or income tax credit equal to 20 percent of production costs including wages if in-state spending is 60 percent of aggregate production expenses for features and television productions. Three-year carry forward provision, total annual state credit disbursement capped at \$10 million per fiscal year. Pennsylvania also provides free use of state property.

Web Site: <http://www.filminpa.com/advantages.html>

Rhode Island

The 2006 incentive law provides a 25% Motion Picture Company Transferable Tax Credit for all Rhode Island spending. There are no caps. It also includes salaries for people working on the ground. The film/TV commercial/video game production must be filmed primarily in the state of Rhode Island and have a minimum budget of \$300,000.

Web Site: <http://www.rifilm.com>

South Carolina

Productions that film in South Carolina can receive up to a 20% cash rebate on employee wages and up to a 30% cash rebate on supplier expenditures. In addition, all productions spending over \$250,000 in SC are exempt from sales and accommodations taxes and are eligible to use state properties location fee-free.

Web Site: <http://www.scfilmoffice.com>

South Dakota

South Dakota offers a tax refund to production companies for projects made in the state with costs over \$250,000 in taxable costs incurred in South Dakota. The state has no corporate or personal income tax. No sales tax on hotel rooms for production companies after 28 days.

Web Site: <http://www.filmsd.com/>

Tennessee

Tennessee refunds the sales and use tax if production companies spend at least \$500,000 during a 12-month period. No lodging tax on hotel rooms for production companies after 30 days. There is no state or local income tax collected in Tennessee. State-owned buildings and land are available to filmmakers free of charge.

Web Site: <http://www.state.tn.us/film/incentives.htm>

Texas

Comprehensive sales and use tax exemption for film/video production. Exemptions apply to the entire amount of state sales tax (6.25%) and local sales taxes. No lodging tax on hotel rooms for production companies after 30 days.

Web Site: <http://www.governor.state.tx.us/divisions/film/incentives>

Utah

Utah is offering a tax rebate program that would typically offer 10-12% returns. Rebate is dependent on script content and money spent in Utah. The state also has a sales and use tax exemption for the purchase, lease or rental of machinery and equipment used in the production or post production of motion picture, television, music video or commercial productions. State also offers a transient room tax rebate after 30 days.

Web Site: http://film.utah.gov/film_incentives/index.html

Vermont

The Vermont Film Production Grant Program, was signed into law in 2006 as part of an overall economic development bill. For moviemakers, the incentive is actually a grant from the state to offset production costs. Producers spending \$1 million can be reimbursed for 10 percent of local spending, capped at \$1 million annually. No lodging tax on hotel rooms for production companies after 31 days. Sales and use tax exemption on goods and services purchased and used in the making of a film. Income tax for performers is limited to the amount the performer would pay in their home state.

Web Site: <http://www.vermontfilm.com>

Virginia

Broad sales and use tax exemptions for costs involved in production of motion pictures.

Web Site: <http://www.film.virginia.org/VirginiaTheFilmOffice/Incentives.htm>

Washington

6.5% Sales and use tax exemption on rental equipment. No state income tax. Local, state, and special use taxes off rental vehicles "used in production." No lodging tax on hotel rooms for production companies after 30 days.

Web Site: <http://www.filmwashington.com/e>

West Virginia

Purchases and rentals in West Virginia 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 six percent (6%) Consumers

Sales and Service Tax.

Web Site: <http://www.wvfilm.com/>

Wisconsin

Effective July 1st, 2007:

- An investment tax credit of 25% that can be claimed for investing in Wisconsin based productions
- A comprehensive sales and use tax exemption for machinery, equipment and services used in production and post-production.
- A 0% tax for all film and television services contracted by out of state production companies.
- A refundable tax credit of 25% of direct production expenditures for feature films, television movies, episodic and mini-series television, video games and broadcast advertising production.
- A 15% state income tax credit for film, television and electronic game production businesses who make a capital investment by starting a business in Wisconsin.
- Further incentives are available on a city-by-city basis including the use of State owned buildings and locations free of charge as available, no fees for permits, a dedicated "traffic control" Police Unit during daylight hours at no cost and internal accounting reports on verification of incentive savings to the production company. In many cases, local "Visitors & Convention" bureaus have created special "Industry Rates" for hotel rooms that will be based on "room nights" for each production, including local hotel occupancy tax in their flat room rates to the individual production.

Web Site: <http://filmwisconsin.org/sites/filmwi/>

Wyoming

The State provides a list of Wyoming businesses that offer production companies filming there a 10% discount on production related services including, hotels, catering, restaurants, etc.

Web Site: <http://www.wyomingfilm.org>

Posted August 28, 2007

© 2008 National Conference of State Legislatures, All Rights Reserved

Denver Office: Tel: 303-364-7700 | Fax: 303-364-7800 | 7700 East First Place | Denver, CO 80230 | [Map](#)

Washington Office: Tel: 202-624-5400 | Fax: 202-737-1069 | 444 North Capitol Street, N.W., Suite 515 | Washington, D.C. 20001