STATE OF LOUISIANA

OFFICE OF
STATE INSPECTOR GENERAL

MOTION PICTURE TAX CREDITS

Date Released:

January 10, 2008

File No. 2-08-0001

STATE OF LOUISIANA

OFFICE OF
STATE INSPECTOR GENERAL

MOTION PICTURE TAX CREDITS

Sharon B. Robinson, CPA, CIG, MBA
State Inspector General

Approved by:
_____Governor Kathleen Babineaux Blanco

January 9, 2008

File No. 2-08-0001

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COMMISSIONER OF ADMINISTRATION

January 9, 2008

Honorable Kathleen Babineaux Blanco
Governor of the State of Louisiana
P.O. Box 94004
Baton Rouge, LA 70804-9004

Re: Case No. 2-08-0001

Dear Governor Blanco:

This report addresses concerns raised about the potential for duplicate motion picture tax credits being issued by the Department of Economic Development. The report includes four recommendations that, if implemented, may be in the best interest of the state.

We provided drafts of the report to the Department of Economic Development, Division of Administration and the Department of Revenue. Their written responses are included as Appendix A.

Respectfully submitted,

Sharon B. Robinson

Sharon B. Robinson, CPA, CIG, MBA
State Inspector General

SBR/LS/kn

Enclosure

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Executive Summary

Review Initiation

In September 2007, the Office of State Inspector General began an inquiry into the potential for duplicate motion picture tax credits being issued for single expenditures. The Office of Entertainment Industry Development (OEID), within the Department of Economic Development, issues and approves the tax credits and the Louisiana Department of Revenue (LDR) processes them.

Our review's objectives were as follows:

- Ensure rules governing motion picture tax credits were in place to meet legal requirements
- Identify areas where duplicate benefits of tax credits could occur
- Document how motion picture tax credits are tracked and managed.

Review Results

- The rules created by the Department of Economic Development Office of Film and Television appear sufficient to meet the requirements of Act 456 of the 2007 Regular Legislative Session. (page 9)
- The risk of duplicate benefits from motion picture tax credits exists, but some measures are in place to minimize the possibility. (page 11)
- The Louisiana Department of Revenue (LDR) tracks the motion picture tax credits manually, but would be more effective if it used an electronic database. In addition, LDR does not have formal written policies and procedures for processing and tracking motion picture tax credits issued and transferred. (page 13)
- The Division of Administration does not have rules or policies on how it structures the redemption of tax credits earned for infrastructure projects. (page 15)

Background

Louisiana and many other state governments provide financial incentives to entice companies to produce motion pictures and related activities in their states.

Act 456 of the 2007 Regular Legislative Session states that the primary objective of the motion picture investor tax credits is to encourage development in Louisiana of a strong capital and infrastructure base for motion picture film, videotape, digital, and television program productions in order to achieve an independent, self-supporting industry.

According to officials at the Office of Film and Television, as of December 14, 2007, 33 infrastructure projects were either approved or pending the certification process. These projects indicated total estimated budgets of over $3.64 billion and associated tax credits of $1.46 billion. In addition, according to an official at the Division of Administration, $480 million of infrastructure tax credits are expected to be taken over fiscal years 2008 through 2011. Also according to officials at the Office of Film and Television, since the inception of production investor tax credits, $374,530,449 of production investor tax credits have been issued as of December 14, 2007.

Three state departments play roles in managing the motion picture investor tax credits:

- Department of Economic Development
- Department of Revenue
- Division of Administration

The Office of Entertainment Industry Development (OEID), formerly the Governor's Office of Film and Television Development, is placed within the Department of Economic Development. The Office of Film and Television (OFT), which is within OEID, oversees the motion picture tax credits. OFT reviews the application for a motion picture production or infrastructure project and determines if it qualifies for the motion picture tax credit. OFT then issues a letter pre-certifying the production or project for the tax credits.

By law, prior to any certification of the expenditures of a state-certified production or state-certified infrastructure project and the issuance of any investor tax credit, a cost report of production expenditures or infrastructure expenditures audited and certified by an independent certified public accountant must be submitted to the OEID.

For a motion picture production, the investor in the production periodically sends a certified cost report requesting certification of the expenditures. The OFT Director reviews the certified cost report. If satisfied with the report, the OFT Director then certifies the expenditure. An original tax credit certification letter is then issued to the investor. The investor can claim the tax credit against his

Louisiana income tax, sell the tax credit to the state or transfer the tax credit to a taxpayer or a broker who buys and then sells the tax credits.

State law governing the motion picture investor tax credit as amended by Act 456 of the 2007 Regular Session of the Legislature is summarized as follows:

INVESTOR TAX CREDIT FOR PRODUCTION (AS AMENDED BY ACT 456 OF 2007 REGULAR LEGISLATIVE SESSION)	
Dates	**Investor Tax Credit**
For state-certified productions* approved by the OFT on or after January 1, 2004 but before January 1, 2006	10% of actual investment, if base investment** exceeds $300,000 and is equal to or less than $8 million. 15% of total investment, if base investment** exceeds $8million.
For state-certified productions* approved by the OFT on or after January 1, 2006 but before July 1, 2010	25% of base investment, if base investment** exceeds $300,000. Additional credit of 10% of payroll in base investment** that is expended on Louisiana residents employed with state certified production.***
For state-certified productions* approved by the OFT on or after July 1, 2010 but before July 1, 2012	20% of base investment, if base investment** exceeds $300,000. Additional credit of 10% of payroll in base investment** that is expended on Louisiana residents employed with state certified production.***
For state-certified productions* approved by the OFT on or after July 1, 2012	15% of base investment, if base investment** exceeds $300,000. Additional credit of 10% of payroll in base investment** that is expended on Louisiana residents employed with state certified production.***

* The initial certification is effective for a period of 12 months prior to and 12 months after the date of initial certification, unless the production has commenced, in which case the initial certification is valid until the production is completed.

** Base investment is the actual investment made and expended in Louisiana by a state-certified production as production-related costs.

*** If the payroll to any one person exceeds $1 million, this additional credit shall exclude any salary for that person that exceeds $1 million.

Source: Prepared by OIG staff using information obtained from LSA R.S. 47:6007

For infrastructure projects, the Division of Administration must also review and approve the applications. The OFT, the secretary of DED, and the Division of Administration may require the tax credits to be taken and/or transferred in the tax period in which the credit is earned or may structure the tax credit in the initial certification of the project to provide that only a portion of the tax credit be taken over the course of two or more tax years. The Division of Administration is the entity that negotiates the structured redemption schedule of the infrastructure tax credits. Tax credits are earned after a minimum amount of expenditures are made.

State laws governing the infrastructure tax credit are summarized below:

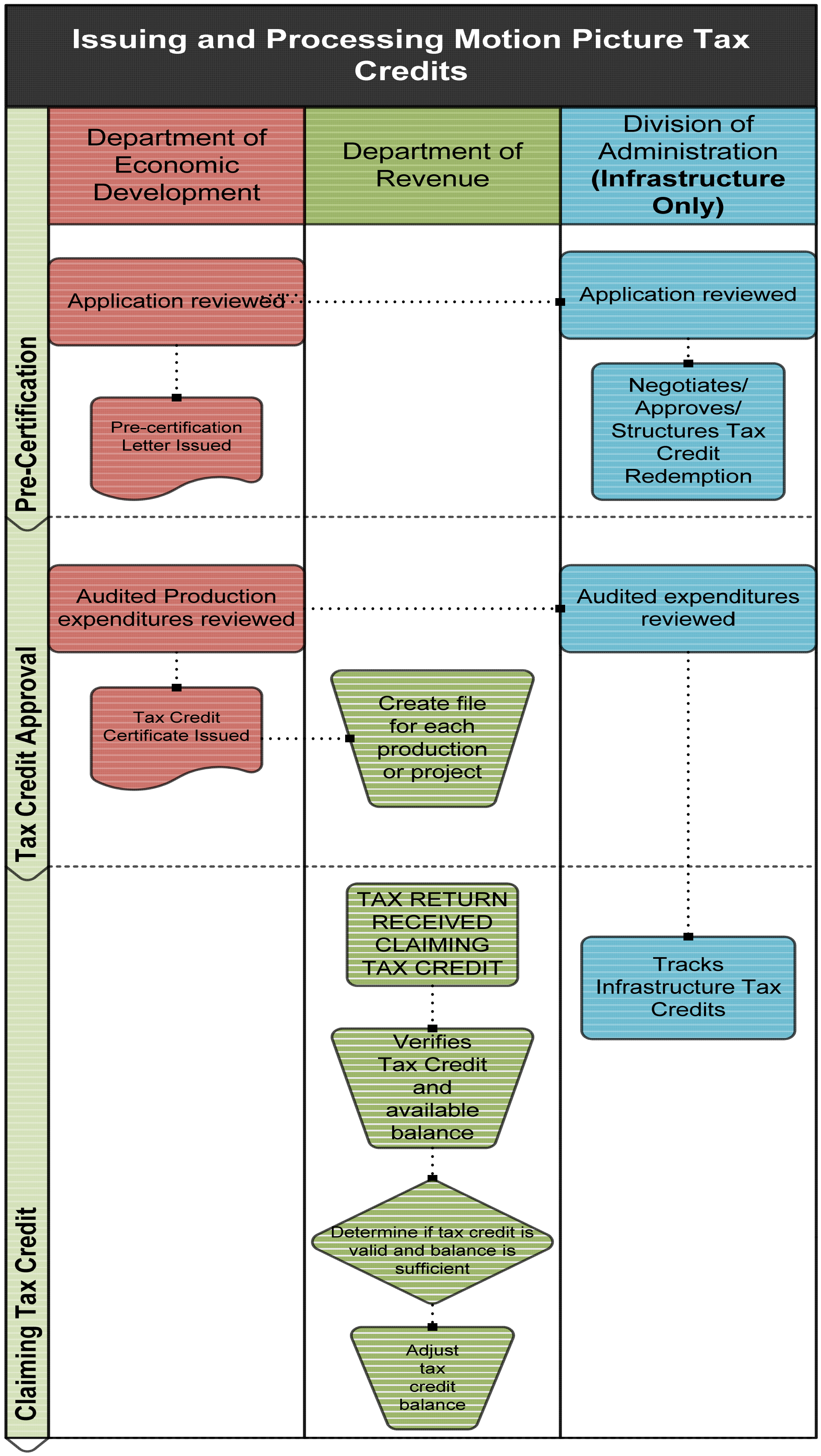
INFRASTRUCTURE TAX CREDIT AS AMENDED BY ACT 456 OF 2007 SESSION

Dates	Infrastructure Tax Credit
For infrastructure applications received before August 1, 2007	Credit is 40% of expenditures Minimum of 20% or $10 million of the total base investment expended before credit can be earned on expenditures
For infrastructure applications received after August 1, 2007 and before January 1, 2009	Credit is 40% of base investment expended on projects in excess of $300,000 Credit not to exceed $25 million per project 25% of total base investment must be certified before any credits may be earned No tax credit allowed for expenditures after December 31, 2008 unless 50% of total base investment has been expended prior to that date. Expenditures may be finally certified at a later date

Source: Prepared by OIG staff using information obtained by LSA R.S. 47:6007

The Department of Revenue tracks the issuance, transfer and claiming of tax credits for infrastructure and investor tax credits. The department also reviews and processes tax returns claiming either one of those tax credits.

The exhibit on the next page summarizes the process for issuing and processing both types of motion picture tax credits.


Issuing and Processing Motion Picture Tax Credits
Department of Economic Development
Department of Revenue
Division of Administration (Infrastructure Only)
Pre-Certification
Tax Credit Approval
Claiming Tax Credit
Application reviewed
Application reviewed
Pre-certification Letter Issued
Negotiates/ Approves/ Structures Tax Credit Redemption
Audited Production expenditures reviewed
Audited expenditures reviewed
Tax Credit Certificate Issued
Create file for each production or project
TAX RETURN RECEIVED CLAIMING TAX CREDIT
Tracks Infrastructure Tax Credits
Verifies Tax Credit and available balance
Determine if tax credit is valid and balance is sufficient
Adjust tax credit balance

Scope and Methodology

The scope of this review was limited to examining the structure of the motion picture tax credits (including infrastructure tax credits). Our procedures consisted of the following:

- Reviewing the laws and rules created regarding the motion picture tax credits
- Examining files
- Interviewing officials at OFT, LDR and the Division of Administration.

We collected information from other states on their motion picture tax credit programs. This information is included in Appendix B. We did not audit or verify this information. It is included for informational purposes only.

Proposed Program Rules Appear Sufficient to Meet the Law's Requirements

We found the proposed rules governing the motion picture tax credit program are generally sufficient to meet the state law's current requirements. We compared the motion picture investor tax credit program rules as published in the October 20, 2007 *Louisiana Register* to state law as enacted by Act 456 of the 2007 Regular Legislative Session. These rules have not yet been promulgated.

In late 2006 and early 2007, the Senate Committee on Revenue and Fiscal Affairs criticized OFT for not having rules in place for the motion picture investor tax credits as required by the 2005 act. DED published the rules in the March 2007 issue of the *Louisiana Register* as emergency rules. The Senate committee's concerns were as follows:

1. The adoption of emergency rules prior to approval by the committee violated RS 47:6007 (D)(1)
2. The rules did not meet the criteria for an emergency rules as set forth in RS 49:953 (B)(1)
3. The rules did not provide equal and fair treatment to everyone in the industry

Due to the reasons cited above, OFT amended and resubmitted the rule changes in the April 20, 2007 *Louisiana Register*.

Substantive amendments to the laws governing motion picture tax credits in the 2007 Regular Legislative Session caused OFT to wait until the legislative session's conclusion to republish the rules to include the changes in the July 2007 *Louisiana Register*.

After hearing comments from the public regarding the rules published in the October 20, 2007 *Louisiana Register,* substantive changes were made. The latest changes to the rules will be published in the December 20, 2007 *Louisiana Register*. A public hearing will be held on January 24, 2008 for oral comments on the rules as published. If there are no further changes, the proposed rules have to be reviewed by the Senate Committee on Revenue and Fiscal Affairs; House Committee on Ways and Means; Senate Commerce, Consumer Protection, and International Affairs Committee; and the House Committee on Commerce.

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Potential Exists for Duplicate Tax Credits for Single Expenditures

Concerns have been raised over the possibility of investors/taxpayers receiving duplicate benefits from motion picture tax credits. While we did not find any specific situations, we are concerned there are some situations that could lead to investors/taxpayers receiving tax credits in excess of the amount to which they are entitled. Some potential situations are as follows:

1. More than one investor could claim motion picture tax credits for the same expenditures without OFT readily detecting it.
2. An investor could submit unqualified, unreasonable, or previously submitted expenditures in its production cost report.
3. The same expenditures could be used to qualify for other tax incentive programs that DED and possibly other state agencies administer.

Under the first potential situation, if multiple certified production companies partner on a motion picture project, the same expenditures could be claimed by each company toward the tax credits and not be detected by OFT.

For the second potential situation, according to OFT's Director, controls are in place to ensure that tax credits are issued only for "qualifying" expenditures. State law requires investors to submit a cost report of a production or infrastructure project's expenditures certified by an independent certified public accountant before a final tax credit certification letter is issued. The Director said that the OFT has developed instructions for CPAs who audit these expenditures. However, there is no criteria for "qualifying" expenditures especially because of the nature of the industry. Furthermore, state law does not set any limit on individual or total expenditures for each motion picture production project. For infrastructure projects, state law [1] limits the tax credits to $25 million per project.

For the third potential situation, a motion picture investment company may qualify for other tax credit programs based on the same expenditures. According to the motion picture tax credit law [LRS 49:6007(C)(7)], on or after January 1, 2006, a state-certified production that receives motion picture tax credits shall not be eligible to receive the rebates provided for in the Louisiana Quality Jobs Program. According to an LDR official, the only tax credit similar to the motion picture tax credit that could be taken by an investor is the Capital Company Credit. This tax credit is for investing in a Louisiana company and is issued by the Office of Financial Institutions. The LDR official was unaware of any motion picture company that has taken both motion picture tax credits and Capital Company Credits. However, state law does not prohibit it.

[1] LRS 49:6007 (C)(2)(a)

Recommendation:

1. The Department of Economic Development should consider seeking further amendments to state law that would accomplish the following:

    - Limit motion picture investors to participation in the motion picture investor tax incentives program only.

    - Establish reasonable limits on the total amount of the motion picture investor tax credits available per project, similar to the limit set on the infrastructure tax credit.

Department of Revenue Lacks Formal Policies and Procedures to Track Tax Credits

LDR does not have formal policies and procedures for processing and tracking motion picture tax credits issued and transferred. The department has created "process maps" setting up files and verifying motion picture investment tax credits. These process maps are not as detailed as formal policies and procedures would be. Creating formal policies and procedures for processing and tracking motion picture tax credits issued and transferred would help ensure consistent processing and tracking of these and other tax credits.

The sole employee responsible for the motion picture tax credits at LDR plans to retire in the near future. This employee tracks the issuance, transfer and claiming of tax credits for infrastructure and motion picture investor tax credits. This employee also reviews and processes tax returns claiming either one of those tax credits. If a tax credit is sold by a broker to a taxpayer, the broker sends LDR a copy of the approved transfer letter from OFT and a spreadsheet. The spreadsheet lists all of the tax credit transfers and includes the following information:

- Transferee/taxpayer's name,
- Transfer date,
- Transfer amount ,
- Unique identifying number for the production or project.

When a tax return claiming a motion picture tax credit is received, the LDR employee pulls the file and checks the balance available to ensure a tax credit does not exceed the certified amount. The available balance is then reduced. This process is done manually and none of the information is kept in a formal electronic database. A database would help LDR better track the credits earned, credits taken and the remaining balance of each tax credit.

The Post Processing Services Division Director, who oversees this area, is currently eligible to retire.

According to officials at LDR, the department plans to create a database and post the tax credits on the motion picture companies' account. At one time, LDR had an employee who was assigned to create a database of the motion picture tax credits issued, but after Hurricane Katrina that employee was assigned other duties. LDR officials state the department does not currently have the staff available to create the database.

Recommendations:

2. LDR should develop formal written policies and procedures for processing and tracking motion picture tax credits issued and transferred.

3. LDR should seek funding, or re-prioritize available funding, to develop a database to better track the motion picture tax credits.

Division of Administration Lacks Formal Policies and Procedures for Apportioning Film Tax Credits

The Division of Administration does not have written policies and procedures detailing how it structures the redemption of infrastructure tax credits. This process should be formalized to ensure equal and fair treatment to each applicant.

For motion picture infrastructure projects, an added step includes the Division of Administration reviewing and approving the applications. State laws governing the issuance of infrastructure tax credits provide that the OFT, the Secretary of DED and the Division of Administration may require the tax credits to be taken and/or transferred in the tax period in which the credit is earned. Alternatively, the state law allows that in the initial certification of the project only a portion of the tax credit be taken over the course of two or more tax years. The Division of Administration negotiates the structured redemption schedule of the tax credits with the applicant.

One Division of Administration employee is responsible for negotiating with the applicants a structured redemption schedule of the infrastructure tax credits. This employee has developed an informal asset amortization schedule, which is used as a starting point in the negotiations. The schedule lists various asset types with a corresponding number of years the asset is amortized. The redemption period differs by type of assets with existing real estate having the longest period and film specific equipment, usually involving high tech equipment having the shortest period. The Division's goal is to spread the issuance of infrastructure tax credits out over a number of years so that in no one year will the state have to absorb a large offset in revenue due to the redemption of these tax credits. The Division keeps track of the amount of infrastructure tax credits certified and when they are due to be redeemed to ensure the tax credits do not have a major negative impact on the fiscal health of the state in any given year.

After an agreement is reached on the structured infrastructure tax credit redemption, the applicant amends the application to include the negotiated redemption period, and the application is sent to the Commissioner of Administration for approval.

Recommendation:

4. The Division of Administration should develop formal written policies and procedures for structuring the redemption of infrastructure tax credits to ensure equal and fair treatment to each applicant.

APPENDIX A

Responses

State of Louisiana
LOUISIANA ECONOMIC DEVELOPMENT

Kathleen Babineaux Blanco
Governor

Michael J. Olivier, CED
Secretary

January 4, 2008

Ms. Sharon B. Robinson, CPA, CIG, MBA
State Inspector General
150 Third Street, Third Floor
Baton Rouge, LA 70804-9095

Dear Ms. Robinson:

We have received your draft audit report and are responding to your recommendations as they relate to Louisiana Economic Development (LED) and the Office of Entertainment Industry Development's (OEID) portion of this audit report.

The LED and the OEID concur with the background information and the section entitled "Proposed Program Rules Appear Sufficient to Meet the Law's Requirements." Therefore, nothing more is needed in these sections.

We do not concur in part with some of the items within the section entitled: "Potential Exists for Duplicate Tax Credits for Single Expenditures."

Item 1. We disagree with your findings that more than one investor could claim motion picture tax credits for the same expenditures without OFT readily detecting it. Each individual project is certified by the office and therefore the certification letter is issued to only one entity. The structure was established through the Department of Revenues' issuance of Private Letter Rulings. Regardless of how many individual investors actually provide financing to a production, typically an investor llc and a production llc are established in Louisiana. The funds are then invested in the investor, llc and then flow to the production llc that subsequently produces the production. State law prohibits a production company from earning the credits; therefore, the investor, llc (not every single investor) earns the credits. Since we pre-certify according to productions, any attempts for multiple parties to claim credits on a single production would assuredly raise the attention of our office. Additionally, these expenditures are audited by a Louisiana CPA and often submitted through the productions' local legal counsel.

Item 2. We disagree in part with your findings that an investor could submit unqualified, unreasonable, or previously submitted expenditures in its production cost report. The audit guidelines established by LED require that non-Louisiana expenditures be noted in the report. Additionally, the statute (and subsequently the rules) provides a list of qualifying expenditures. However, due to the nature of motion picture production, no list could ever be comprehensive as each production is inherently different. Through internal review of the audit and the production reports, the office has required productions to justify questionable expenditures.

Item 3. We concur that the potential exists for productions to qualify for other tax incentive programs offered by LED, except for the Louisiana Quality Jobs Program which is specifically excluded in the statute governing the motion picture incentive program. Since the statute doesn't address other programs besides QJ, any further restrictions would require Legislative action. Additionally, internal LED departmental policy and practice limits a project's developer that applies for multiple incentive programs. Traditionally, LED does not allow on project more than 35% return (in credits or other state incentives) on the base investment. Specifically, the motion picture infrastructure program grants a developer 40% on the qualifying expenditures; therefore, LED's practice is to disallow additional state incentives administered by LED.

Finally, we do NOT concur with a cap on the production incentives. Since credits are granted on in-state spend ONLY, Louisiana receives the full benefit of monies spent in our state. The more money spent in Louisiana, the better the benefit through increased revenue and wages. Through experience and consultation with production executives, any limits on our program would effectively eliminate Louisiana's competitive edge and the motion picture industry would not succeed here. Conceivably, a cap would be reached in the first quarter of the year, leaving the balance of the year without production resulting in a loss of employment and the positive economic impact that comes with it. Indeed, other states that have implemented caps experienced this same scenario and have subsequently removed or raised them accordingly.

If you have further questions or comments, please contact Sherri McConnell, LED's Director of Entertainment Development, at 225.342.3571.

Sincerely,

Michael J. Olivier, CEcD
Secretary

State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

Kathleen Babineaux Blanco
GOVERNOR

Jerry Luke LeBlanc
COMMISSIONER OF ADMINISTRATION

January 4, 2008

Sharon B. Robinson, CPA, CIG, MBA
State Inspector General
Office of State Inspector General
P.O. Box 94095
Baton Rouge, LA 70804-9095

Re: Case No. 2-08-0001

Dear Inspector Robinson:

I concur with your conclusion that the Division of Administration lacks formal written policies and procedures for apportioning film tax credits, as it relates to the film infrastructure tax credits. I also concur in general with your recommendation for writing formal policies and procedures. I would note, however, that development of such written procedures has been hampered by the shifting legal authority for this tax credit program. In particular:

- Although this tax credit program became law in mid 2005, Louisiana Economic Development did not publish regulations in the state register until March 2007, and the legislative oversight committees rejected these regulations.

- The legislature made substantial statutory revision to the film infrastructure tax credit law during the 2007 legislative session.

- In response to the 2007 law changes, Louisiana Economic Development published a notice of intent for film infrastructure rules in September 2007. However, these proposed rules have yet to be approved by the appropriate legislative committees.

Once the legislative committees approves regulations for administration of this program, I concur that written Division policies describing its role in approving these credits should be prepared. However, any policy statement will likely be very general due to variances in the size and scope of projects applying for this credit. The fact is that the size and scope of projects applying to date have varied enormously. Project investments have been as small as $2 million and as large as $995 million. Projects have ranged from purchase of specific equipment to major greenfield real estate developments. Many projects include assets that are only indirectly relevant to film production activity (for which the statute did not give guidance until 2007). In addition, each project's specific business plan is unique in anticipating and using these credits as part of its overall financial support. Given these facts, any written policy will likely be a general description of the Division's goals and approach rather than specific criteria applied mechanically.

Sincerely,

Jerry Luke LeBlanc
Commissioner of Administration

JLL/aoc

Louisiana Department of Revenue

Kathleen Babineaux Blanco
Governor

Cynthia Bridges
Secretary

January 7, 2008

Ms. Sharon B. Robinson, CPA, CIG, MBA
State Inspector General
Louisiana Office of State Inspector General
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

RE: **Audit Report on Motion Picture Tax Credits**

Dear Ms. Robinson:

The Louisiana Department of Revenue (LDR) has received and reviewed the audit report on motion picture tax credits. Below are our responses to the specific audit recommendations:

Recommendation 2: The Department of Revenue concurs in part with the recommendation of the Inspector General with respect to the need to develop formal written policies and procedures for processing and tracking motion picture tax credits issued, transferred and utilized. Our concurrence in part is due to the fact that our process maps depicting the procedures to be followed are detailed and comprehensive. In addition, senior staff members have been assigned the responsibility of overseeing this process. We agree, however, that a formally drafted policy would serve to provide guidance in a detailed fashion to employees who may be assigned this function in the future. In addition, a formal policy will explain in a more comprehensive manner the steps identified as necessary per the process maps.

Recommendation 3: The Department of Revenue partially agrees with this recommendation. We agree that the creation of a database will enhance our ability to more accurately account for credits awarded, taken and remaining. However, with respect to our allocation of resources, it is our position that as the awarding and claiming of the motion picture tax credits has increased, the Department has devoted additional resources in an effort to properly account for the credits utilized. As is the case with all credits allowed by statute and claimed on tax returns, the Department is committed to dedicating a level of resources that will allow for the most effective review and control given the constraints under which we operate.

617 North Third Street
P.O. Box 66258
Baton Rouge, Louisiana 70896
Phone: 225-219-2700 Fax: 225-219-2708
TDD: 225-219-2114 www.revenue.louisiana.gov

We expect to complete the improvements mentioned above during the 2008/2009 fiscal year. The contact person responsible for the corrective actions above is Barbara Roe, Director of the Post Processing Services Division.

Our responses are based upon the Inspector General's probable presumption that all reductions of income, reductions of tax liability or credits taken by taxpayers must be verified. The federal and states' taxing schemes are based upon and rely primarily on voluntary compliance. The Department of Revenue does not audit each and every taxpayer, nor should it strive to do so. In addition, the Department of Revenue does not receive the resources necessary to review every tax credit. We expend the resources we are allotted in a manner that encourages the highest level of voluntary compliance. Our strategies include, but are not limited to, random audit selection and return review, as well as providing general information and specific educational programs.

We appreciate the courtesy extended to us by your audit team. If you have any questions or require additional information, please contact me at 219-2710 or Beth Heim, Internal Audit, at 219-2011.

Sincerely,

Clarence J. Lymon

Clarence J. Lymon, CPA
Undersecretary

CL/kb

c: Cynthia Bridges
Phyllis Perry
Barbara Roe

APPENDIX B

Film Tax Incentive Programs by State

Film Tax Incentive Programs by State

STATE	TYPE AND AMOUNT OF TAX CREDIT	MIN EXPENDITURE REQUIRED	MAX CREDIT ALLOWED	WEBSITE
Alabama	NONE			http://alabamafilm.org/filmakerincentives.htm http://www.ador.state.al.us/taxincentives/index.html
Alaska				http://www.alaskafilm.org
Arizona	An Arizona transferable income tax credit equal to 10%, 15% or 20%of the company's investment in eligible Arizona production costs.			http://www.azcommerce.com/film/incentives.asp
Arkansas				http://www.1800arkansas.com/film
California				http://www.filmcafirst.ca.gov http://www.film.ca.gov/state/film/film_homepage.jsp
Colorado				http://www.coloradofilm.org
Connecticut	30% Digital Media & Motion Picture Tax Credit - Public Act No. 06-186 - A tax credit equal to 30% of qualified media and motion picture production.	Preproduction and postproduction expenses incurred in the state that exceed $50,000.		http://www.cultureandtourism.org/cct/
Delaware				http://www.state.de.us/dedo/filmoffice/
Florida				http://www.filminflorida.com/
Georgia	A 9 percent investment tax credit available to production companies.	Spend a minimum of $500,000 in the state on qualified production expenditures in a single year.		http://www.filmgeorgia.org
Hawaii	Offers a non-refundable income tax credit applicable to Hawaii taxpayers that invest in qualified companies producing performing arts products. This credit is equal to 100% of the investment amount, payable over five years. 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.			http://www.hawaiifilmoffice.com/incentives-tax-credits

Note: These data are provided for informational purposes only. Not verified for accuracy or currency.

Film Tax Incentive Programs by State

STATE	TYPE AND AMOUNT OF TAX CREDIT	MIN EXPENDITURE REQUIRED	MAX CREDIT ALLOWED	WEBSITE
Idaho				http://www.filmidaho.org
Illinois	The Illinois Film Production Tax Credit provides a 20% income tax credit on all production costs, including post-production.	$100,000 for a production over 30 minutes and $50,000 for a production under 30 minutes.		http://www.illinoisbiz.biz/film/
Indiana	The Hoosier Business Investment Tax Credit provides a credit against a company's Indiana tax liability to encourage capital investment in Indiana. Venture Capital Investment Tax Credit assists Indiana companies in raising capital by offering a tax incentive to individual and corporate investors.			http://www.in.gov/film
Iowa	Transferable Iowa income tax credit based on 25% of qualified in-state expenditures to go to "Investor." Transferable Iowa income tax credit based on 25% of qualified in-state expenditures to go to "Producer."			http://www.traveliowa.com/film/
Kansas				http://kdoch.state.ks.us/kdfilm/index.jsp
Kentucky				http://www.kyfilmoffice.com/taxrebateinfo.htm
Louisiana	A labor tax credit of 10% is available to production companies that employ Louisiana residents. An investment tax credit of up to 25% can be claimed for investing in Louisiana-based productions, if the base investment is greater than $300,000.			http://www.lafilm.org/incentives/
Maine	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.	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.		http://www.state.me.us/decd/film
Maryland				http://www.marylandfilm.org/incentives.htm

Note: These data are provided for informational purposes only. Not verified for accuracy or currency.

Film Tax Incentive Programs by State

STATE	TYPE AND AMOUNT OF TAX CREDIT	MIN EXPENDITURE REQUIRED	MAX CREDIT ALLOWED	WEBSITE
Massachusetts	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 in the state would be eligible for the Massachusetts Motion Picture Tax Incentive.	Total tax credits would be capped at $7 million per production.	http://www.massfilmbureau.com/
Michigan	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% rebate; between $1 million and $5 million, a 16% rebate; between $5 million and $10 million, a 20% rebate; and anything over $10 million is a 20% credit on the first $10 million spent. Rebates are limited to a total of $7 million annually and are first come, first served.	Spend at least $200,000 in Michigan.		http://www.michigan.gov/hal/
Minnesota				http://www.mnfilmtv.org
Mississippi	A 10% tax credit against payroll is now available for production companies that hire Mississippi residents.			http://www.visitmississippi.org/film/
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.	The production company must spend $300,000 or more in the state.	Up to $1 million in tax credits is available per project.	http://www.ded.mo.gov/business/filmcommission/
Montana				http://www.montanafilm.com/taxlaws_03.htm
Nebraska				http://www.filmnebraska.org/permits.htm
Nevada				http://www.nevadafilm.com

Note: These data are provided for informational purposes only. Not verified for accuracy or currency.

Film Tax Incentive Programs by State

STATE	TYPE AND AMOUNT OF TAX CREDIT	MIN EXPENDITURE REQUIRED	MAX CREDIT ALLOWED	WEBSITE
New Hampshire				http://www.nh.gov/film/
New Jersey	Offers a tax credit in an amount equal to 20% of qualified production expenses.			http://www.njfilm.org/
New Mexico				http://www.nmfilm.com
New York	The Empire State Film Production Credit provides a fully-refundable tax credit equal to 10% of qualified expenditures to qualifying film and television productions. New York City provides an additional 5% credit.			http://www.nylovesfilm.com/
North Carolina	Provides for a full 15% tax credit on productions over $250,000.	Over $250,000.	Not exceeding a credit per project over $7.5 million.	http://www.ncfilm.com
North Dakota				http://www.ndtourism.com
Ohio				http://www.ohiofilm.com
Oklahoma				http://www.otrd.state.ok.us/filmcommission
Oregon				http://www.oregonfilm.org
Pennsylvania	Assignable corporate, partnership or income tax credit equal to 20% of production costs including wages if in-state spending is 60% of aggregate production expenses for features and television productions.		Total annual state credit disbursement capped at $10 million per fiscal year.	http://www.filminpa.com/advantages.html
Rhode Island	Provides a 25% Motion Picture Company Transferable Tax Credit for all Rhode Island spending. There are no caps.			http://www.rifilm.com
South Carolina				http://www.scfilmoffice.com

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Film Tax Incentive Programs by State

STATE	TYPE AND AMOUNT OF TAX CREDIT	MIN EXPENDITURE REQUIRED	MAX CREDIT ALLOWED	WEBSITE
South Dakota				http://www.filmsd.com/
Tennessee				http://www.state.tn.us/film/incentives.htm
Texas				http://www.governor.state.tx.us/divisions/film/incentives
Utah				http://film.utah.gov/film_incentives/index.html
Vermont				http://www.vermontfilm.com
Virginia				http://www.film.virginia.org/VirginiatheFilmOffice/Incentives.htm
Washington				http://www.filmwashington.com/
West Virginia				http://www.wvfilm.com/
Wisconsin	An investment tax credit of 25% that can be claimed for investing in Wisconsin based productions. 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.			http://filmwisconsin.org/sites/filmwi/
Wyoming				http://www.wyomingfilm.org

Source: Prepared by OIG staff using information summarized from the National Conference of State Legislatures Website

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Twenty-six copies of this public document were published in this first printing at a cost of $ 123.96. The total cost of all printings of this document, including reprints is $ 123.96. This document was published by the Office of State Inspector General, State of Louisiana, Post Office Box 94095, 150 Third Street, Third Floor, Baton Rouge, LA 70804-9095 to report its findings under authority of LSA-R.S. 39:7-8. This material was printed in accordance with the standards for printing by state agencies established pursuant to LSA - R.S. 43:31.

A copy of this report has been made available for public inspection at the Office of State Inspector General and is posted on the Office of State Inspector General's website at www.doa.louisiana.gov/oig/inspector.htm. Reference should be made to Case No. 2-08-0001. If you need any assistance relative to this report, please contact Bruce J. Janet, CPA, State Audit Director at (225) 342-4262.

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To report alleged fraud, waste, abuse, or mismanagement relative to state programs or operations, use one of the following methods:

- Complete complaint form on web site at www.doa.Louisiana.gov/oig/inspector.htm
- Write to Office of State Inspector General, P. O. Box 94095, Baton Rouge, LA 70804-9095
- Call the Office of State Inspector General at (225) 342-4262