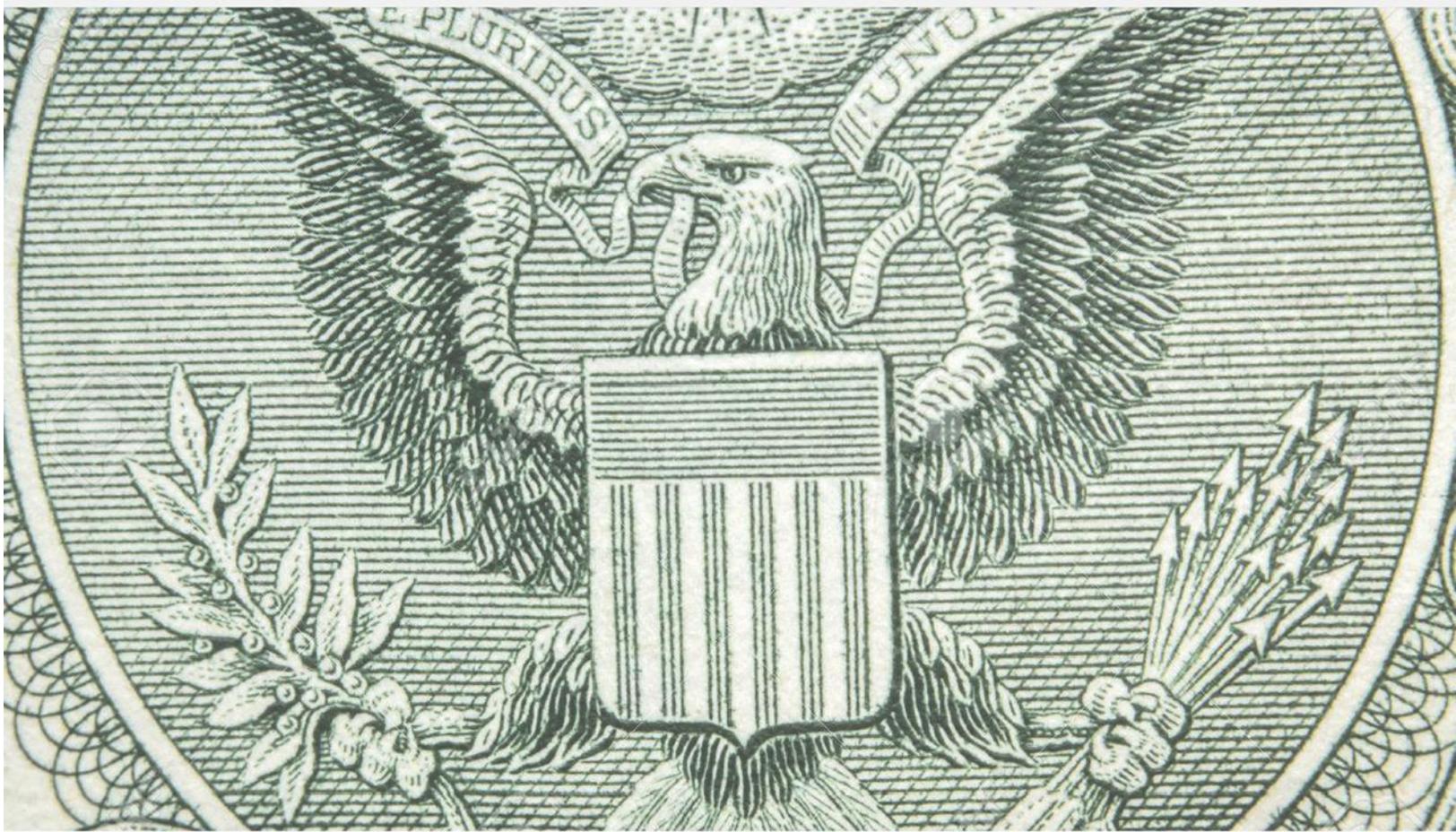


Film Tax Incentives Back in the Spotlight



Fame, fortune and the movies are intertwined. Hollywood! Celebrities! Glamour! For states looking to spur economic development, the prospect of growing a larger film industry presence is highly appealing. The big screen can cast a city or state in a whole new light, attract tourism and create jobs. States have long offered tax incentives to entice new film or television production activity, but support for these programs has spiked in the wake of the recovery from the COVID recession, which sent the film industry reeling as theaters closed and productions were postponed. Film tax incentives typically come in the form of tax credits equal to a percentage of a film or television production's qualified in-state spending and/or exemptions from sales tax on qualified transactions. The credits are often refundable or transferable; if the value of a company's credits is higher than its tax liability, it can sell the excess credits to another taxpayer who owes the state taxes.

In 2021, with the economy well on the rebound, at least 10 states enacted measures to implement or expand film tax incentives. In 2022, at least five have done so: [Indiana](#) created the state's first film tax credit program. [Illinois](#) expanded its existing credit program by increasing the cap on qualified resident and non-resident wages to \$500,000, up from \$100,000 for resident wages only. The state of [Washington](#) increased the amount of film tax credits that could be awarded annually from \$3.5 million to \$15 million. After a failed attempt to revive film incentives in 2017, [West Virginia](#) reinstated an incentive program with no cap on the amount of credits that can be awarded annually. Legislation approved in [New Jersey](#) increased the annual limitation on digital media content production tax credits to \$30 million from \$10 million and increased the percentage of qualified expenses that can be claimed. In Georgia, a bill to limit tax film credits at \$900 million annually was introduced to the legislature but failed to pass earlier this year. Legislators cited concerns of losing film industry business over changes to the current incentive programs.

[Louisiana](#) was the first state to adopt a tax incentive program for film and television production in 1992 and the strategy took off nationwide through the early 2000's strong. Today, 33 states, Puerto Rico, and the U.S. Virgin Islands offer tax incentives for film production, but at the peak in 2010, 45 states, Washington D.C., and Puerto Rico offered them. After the Great Recession, many states began paring back these incentives to save money. This trend continued well into the recovery, [in conjunction with](#) a rise in state efforts to improve their evaluation and oversight of tax incentive programs. The states that have performed [evaluations](#) of their film tax incentive programs have commonly found that, despite the positive anecdotal evidence that accompanies big film projects, such programs do not provide a substantial return on investment and, if economic development is the goal, other policy avenues might be more productive. Policy analysts from both [left-](#) and [right-leaning](#) think tanks have also questioned whether these programs are the best use of a state's money.

Some conclusions from state fiscal office evaluations are below:

[California Legislative Analyst's Office](#): "In our evaluation of the first film tax credit, we found that the costs exceeded the benefits. While the credit probably caused some film and television projects to be made here, many other similar projects also were made here without receiving any financial incentive. Studying the projects that applied for but did not receive a credit, we concluded that about one-third of the projects receiving a credit probably would have been made here whether or not they received the subsidy."

[Pennsylvania Independent Fiscal Office](#): "Although the tax credit incentivizes productions, it is difficult to see the impact of the tax credit in employment and GDP data for the last five years. The current credit

does not expand the industry, but rather retains jobs that would otherwise be lost... The analysis finds that the net return on investment (ROI) is 13.1 cents of state tax revenue for each tax credit dollar.”

[Virginia Joint Legislative Audit and Review Commission](#): “The tax credit and grant have a positive impact on Virginia’s economy (an additional 580 jobs and \$51 million in Virginia GDP per year, on average), but the impact is smaller than that of other economic development incentive programs. The film tax exemption has little effect on film location decisions, a negligible benefit to the Virginia economy, and provides a negligible return on the state’s investment.”

Despite the questions surrounding the overall efficacy of film tax incentives, they’re still very much an item of interest. Film projects are highly popular with host localities and the public and there’s no denying that incentives are a factor in where companies decide to make movies. Furthermore, [it is difficult](#) to precisely quantify the extent to which film development benefits state tourism, and it is hard to ignore the success a state like [Georgia](#) has had in attracting new film projects with a tax credit program [estimated to cost over \\$1 billion](#) in fiscal year 2023.

Given that film tax credits aren’t going anywhere any time soon, some ideas states have considered to ensure film tax credit programs limit forgone revenue, yet still improve a state’s film industry to remain competitive with other state incentive programs include:

- Increasing the threshold for in-state spending/filming.
- Targeting the credit towards workers who reside in the state.
- Capping program costs.
- Capping salaries eligible for the credit.
- Eliminating a credit’s transferability.
- Eliminating a credit’s refundability.
- Tightening the timeline in which a project can apply for credits.
- Increasing diversity requirements for accepted projects.
- Larger credits may be necessary to attract long-term investment if there is substantial competition

Below is a table of states’ most current film incentive programs:

State/Jurisdiction	Film Incentive/Credit Program
Alabama	No film incentive program Alabama does not allow film production tax credits.
Alaska	No film incentive program since June 30, 2015.
Arizona	No film incentive program or film production tax credits.
Arkansas	Effective July 29, 2021, film production companies can apply for a rebate on qualified production costs.

	<p>There is a 20% on all qualified production costs in connection with a state certified film project.</p> <p>An additional 10% credit is available for the payroll of below-the-line employees who are full-time Arkansas residents, veterans, or expenditures paid to veteran-owned small businesses for qualified production costs. The program is set to expire June 30, 2032.</p>
California	<p>Beginning Jan. 1, 2020, California offers a tax credit of 20% or 25%. The credit offered to qualified motion pictures is dependent on specific criteria:</p> <ul style="list-style-type: none"> • Qualified motion pictures, including televisions series that have relocated to the state in their second or subsequent year of production are eligible for a 20% credit on all qualified expenditures. • A television series that relocated to California in its first year of production is eligible to receive a credit of 25% of qualified expenditures • Independent films with a minimum budget of \$1 million are eligible for 25% of all qualified expenditures <p>Additional credits are offered to productions that meet any of the following criteria</p> <ul style="list-style-type: none"> • 5% of expenditures relating to out-of-zone filming, original photography, visual effects, and/or music scoring and track recording. • 10% of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture
Colorado	<p>On or after July 1, 2012, the Colorado Film Incentive program offers a 20% cash rebate for production costs taking place in the state.</p> <p>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.</p> <p>To be eligible, a Colorado production company must have qualified local expenditures of at least \$100,000.</p> <p>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> <p>Productions must also hire a workforce (cast and crew) comprised of at least 50% Colorado residents</p>
Connecticut	<p>Eligible production companies that produce qualified films, television, video, or digital media entertainment content in Connecticut are eligible for tax credits. Production companies are eligible if they:</p>

	<ul style="list-style-type: none"> • Conduct at least 50% of its principal photography days in Connecticut. • Spend at least 50% of a film's postproduction costs in Connecticut. • Or spend at least \$1 million of a film's postproduction costs in Connecticut. <p>The tax credit is based on production costs.</p> <ul style="list-style-type: none"> • For expenditures between \$100,000 and \$500,000 Connecticut offers a tax credit of 10% • For expenditures greater than \$500,000 but less than \$1 million Connecticut offers a tax credit of 15% • For expenditures greater than \$1 million Connecticut offers a tax credit of 30%
Delaware	Delaware does not offer film tax incentives.
District of Columbia	The District of Columbia does not offer film tax incentives.
Florida	Florida does not offer film tax incentives.
Georgia	<p>The film tax incentive program in the state of Georgia was split into two credits, the Base Tax Credit and the Georgia Entertainment Promotion Tax Credit. Production companies must first qualify for the base tax credit to be eligible for the Georgia Entertainment Promotion Tax Credit.</p> <p>The production of new film, video, or digital projects in Georgia and approved by the department of economic development, including but not limited to feature films, series, pilots, and pre-released interactive games qualify for the base tax credit.</p> <p>The tax base credit applies as follows: If annual production expenditures are \$30 million or less, the credit equals 20% of the base investment. If annual production expenditures are over \$30 million, the credit equals 20% of the excess base investment</p> <p>Production companies are eligible for an additional tax credit equal to 10% of their base investment if the production activity includes a qualified Georgia promotion.</p> <p>There is no annual program cap.</p>
Hawaii	<p>Hawaii offers a Motion Picture, Digital Media & 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.</p> <p>The credit equals 20% of qualified production costs incurred on Oahu, and 25% on the neighbor islands (Big Island, Kauai, Lanai, Maui, Molokai). Qualified production costs between counties can be prorated based on the amounts spent in each county.</p> <p>Beginning Dec. 31, 2019, the program is capped at \$50 million per year. The credit program sunsets Dec. 31, 2025.</p>
Idaho	Idaho does not offer film tax incentives.
Illinois	<p>The Film Production Tax Credit Act offers accredited productions a credit of 30% of the Illinois production spending for the taxable year approved by the Department of Commerce and Economic Opportunity</p> <p style="text-align: center;">And</p>

	15% of the Illinois labor expenditures approved by the department for employees who earn more than \$1,000 on the production and live in geographic areas of high poverty or high unemployment, as determined by the Department of Commerce and Economic Opportunity
Indiana	Effective July 1, Indiana will offer film credits. The funding is capped at \$300 million and details have yet to be finalized.
Iowa	Iowa has not offered film tax incentives since its program expired Dec. 31, 2011.
Kansas	Kansas has not offered a film tax incentive since its program expired Dec. 31, 2012.
Kentucky	<p>Kentucky’s film incentive program is offered to companies filming or producing motion pictures or entertainment products in the state. As of April 2018, commercials are not eligible for the credit.</p> <p>In enhanced incentive counties, a 35% credit is offered for qualifying expenditures and resident labor.</p> <p>Motion pictures or entertainment productions not filmed in an enhanced incentive county may receive credits of:</p> <ul style="list-style-type: none"> • 30% of qualifying expenditures. • 30% of compensation paid for labor of non-residents. <p>As of Jan. 1, 2022, the film tax incentive program is capped at \$75 million annually.</p>
Louisiana	<p>Louisiana offers up to 40% tax credits on the base investment through their film incentive program. A Base Investment Credit of 25% is available for state certified productions with a total base investment over \$300,000 or over \$50,000 for Louisiana screenplay productions.</p> <p>Screenplay productions created by a Louisiana resident are eligible for an additional 10% credit of the base investment.</p> <p>An additional 5% credit of the base investment is offered for out of zone productions that have a production office and at 60% of photography based out of the New Orleans Metropolitan Statistical area.</p> <p style="text-align: center;">Credits for Specific Expenditures</p> <p>An additional 15% credit is offered for direct payments for services to Louisiana residents.</p> <p>An additional 5% credit is available if at least 50% of the visual effects budget is for services performed in Louisiana by an approved qualified entertainment company (QEC).</p>
Maine	<p>The Entertainment Industry Credit in Maine is equal to 5% of a visual media company’s expense if they exceed \$75,000.</p> <p>A visual media production company is allowed a reimbursement equal to 12% of certified production wages to paid to employees who residents of Maine and 10% of certifies production wages paid to other employees</p>
Maryland	Maryland offers tax incentives to entertainment productions in the state. Film productions are offered credits of 25% of their total costs. Television series are eligible for a of 27% of total costs.

	<p>Small or independent film entities may not receive more than \$125,000 in credits and no single production activity may receive more than \$10 million in credits.</p> <p>The film tax incentive is capped at \$17 million in 2022 and will rise another \$3 million in 2023. The program may not exceed \$20 million.</p>
Massachusetts	<p>In 2022, legislators in the state decided to extend the film tax incentive program until 2027. The program was set to expire at the end of 2022. Massachusetts offers film makers a 25% production credit, a 25% payroll credit, and sales tax exemption.</p> <p>Production companies must spend more than \$50,000 in Massachusetts to qualify for the payroll credit. In order to qualify for the production credit and sales tax exemption, production companies must spend at least 75% of the total budget or filming/principal photography days in Massachusetts.</p>
Michigan	The state does not offer film tax incentives
Minnesota	The film production credit in Minnesota offers film project taxpayers 25% of eligible production costs incurred in Minnesota. The annual limit for the program is \$5 million.
Mississippi	<p>The Mississippi Motion Picture Production Rebates program provides a cash rebate on eligible expenditures and payroll. Motion picture production companies that spend at least \$50,000 in base investment, payroll, or both in Mississippi are eligible for the rebate.</p> <p>Production companies are eligible for a 25% rebate of their base investment and payroll for employees who are not residents. For employees on the payroll who are residents, the rebate is equal to 30%; an additional 5% is available for any employee that is an honorably discharged veteran.</p> <p>If the payroll paid for an employee exceeds \$5million, then the rebate only applies for the first \$5 million.</p> <p>The rebates are capped at \$20 million annually.</p>
Missouri	Missouri does not offer film tax incentives
Montana	<p>Montana’s tax credit for media production offers qualified media production companies 20% of production expenditures.</p> <p>Additional credits may be earned for the following reasons:</p> <ul style="list-style-type: none"> • 25% of the compensation paid per production to each crew member or production staff who is a resident. • 15% of the compensation paid per production to each crew member or production member who is not a resident. • 20% of the first \$7.5 million of compensation paid per production or season of a television series to each actor, director, producer, or writer • 30% of compensation paid per production or season of a television series to a student enrolled in a Montana college or university who works on the production for college credit • An additional 10% of payments made to a Montana college or university for stage rentals, equipment rentals, or location fees for filming on campus

	<ul style="list-style-type: none"> • An additional 10% of all in-studio facility and equipment rental expenditures incurred in this state for a production that rents a studio for 20 days or more • An additional 5% for production expenditures made in an underserved area • An additional 5% of the base investment in the state if the state-certified production includes a Montana screen credit furnished by the state as provided in <p>The tax credits may not exceed 35% of the production company’s base investment. The 2022 annual amount of allowable tax credits is \$12 million.</p>
Nebraska	Nebraska does not offer film tax incentives
Nevada	<p>Nevada offers film production tax incentives to production companies that produce film, television, and visual media productions in the state and spend at least \$500,000 on eligible expenditures.</p> <p>Companies are eligible to receive a 15% credit of the qualified production expenditures plus an additional 5% if more than 50% of the production’s below-the-line personnel are Nevada residents. An additional credit of 5% of the qualified production expenditures is available if more than 50% of the productions filming days occurred in Nevada county in which qualified productions incurred less than \$10 million of qualified direct production expenditures in each of the two years immediately preceding the credit application date.</p> <p>Each project cannot receive more than \$6 million in credits.</p>
New Hampshire	New Hampshire does not offer film tax credits
New Jersey	<p>Qualified film production companies are eligible for the Film Production Tax Credit which is equal to 35%. A credit of 30% of the qualified film production expenses during a privilege period that are incurred for services performed and tangible personal property purchased for use at a sound stage or other location in New Jersey within a 30-mile radius of the intersection of Eighth Avenue/Central Park West, Broadway, and West 59th Street/Central Park South, New York, New York.</p> <p>The Film Production Tax Credit Program is not to exceed \$100 million annually.</p>
New Mexico	<p>Beginning Jan. 1, 2019, New Mexico’s Film and Television Tax Credit is equal to 25% for direct production and postproduction expenditures. The production and post production expenditures must meet the following requirements:</p> <ul style="list-style-type: none"> • Are directly attributable to the production of a commercial film or audiovisual product. • Are for services performed in New Mexico. • Are subject to taxation by the state of New Mexico. • Exclude postproduction expenditures for which another taxpayer claims the new film production tax credit. • Do not exceed the usual and customary cost of the goods or services acquired when purchased by unrelated parties.

	<p>An additional 5% credit may be available for production expenditures on work, services, or items provided on site in New Mexico but at least 60 miles outside of the exterior boundaries of counties with net taxable value of property of \$6 billion and either a standalone pilot intended for series television in New Mexico, series television produced for commercial distribution with an order for at least six episodes in a single season, if each episode's budget exceeds \$50,000, or a production in a qualified production facility.</p> <p>There is another credit of 15% for the wages, fringe benefits, and per diem paid to below-the-line nonresident crew.</p>
New York	<p>New York allows five different film production credits.</p> <p><u>The Television Writer’s and Director’s Fees and Salaries Credit</u> allows commercial production companies to receive a tax credit equal to 30% for the fees and wages paid to television writers and directors. The credit can not exceed \$150,000 in total for each writer or director. The annual amount of credit available is \$ 5million.</p> <p><u>The Empire State Commercial Production Credit</u> gives advertisement production companies a credit equal to 20% of the qualified production costs paid or incurred in the production of a qualified commercial. Production companies that film outside of the metropolitan area are eligible for a credit of 30% of qualified production costs.</p> <p><u>The Empire State Film Production Credit</u> offers qualified film production companies a credit of 25% if qualified production costs.</p> <p><u>The Empire State Film Production Incentives-Wage</u> credit provides an additional 10% credit for the wages or salaries paid to qualified individuals is available as well. A credit for the wages and salaries paid to individuals for services performed on a qualified film in certain counties.</p> <p><u>The Empire State Film Postproduction Credit</u> offers a credit of 30% of the qualifies postproduction costs for a qualified film at a qualified postproduction facility within the metropolitan district, the credit is equal to 35% for facilities located outside of the district.</p>
North Carolina	North Carolina does not offer film tax incentives.
North Dakota	North Dakota does not offer film tax incentives.
Ohio	<p>The Motion Picture and Broadway Theatrical Credit program provides a credit equal to 30% of budgeted or actual eligible production expenditures, whichever is less. The annual program limit is set at \$40 million per year. Since Oct. 17, 2019, the credit for each production contractor id equal to 30% of the eligible expenditures for the production. Production companies that intend to hire and provide on the job training to certified film and multimedia trainees are also able to apply for a credit equal to 50% of the salaries paid for film and multimedia trainees.</p>
Oklahoma	<p>The Film Enhancement Rebate is equal to 20% of qualified production expenditures. There is an additional 7.5% incentive for wages of nonresident crew employees. The cost of the program cannot exceed \$30 million annually.</p> <p>The program expires June 30, 2024.</p>

Oregon	Film Production Development Contribution Credit allows for a maximum reimbursement of 10% of payments made for employee salaries, wages, and benefits for work done in Oregon and 20% of all other actual expenses. The maximum credits available annually are \$20 million.
Pennsylvania	The film production tax credit in Pennsylvania is determined based on several factors. At least 60% of production expenses must be incurred in Pennsylvania to be eligible production expenses. The tax credit cannot exceed 25% of the qualified film production expenses for feature films and certain television commercials or shows. The taxpayer is also eligible for a tax credit equal to 30% of qualified postproduction expenses. Feature films, television film, or television series that are intended for a national audience or a film that is recorded in a qualified production facility, qualify for a credit equal to 5% of the qualified film production expenses. The film Production Tax Credit Program cap is \$70 million annually.
Rhode Island	Rhode Island’s Motion Picture Production credit offers production companies a credit equal to 25% of the state certified production costs. Productions must have a minimum budget of \$300,000 and credits for and motion picture production cannot exceed \$5 million.
South Carolina	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. To be eligible, wages for each qualifying person must be less than \$1 million and must be subject to South Carolina withholding tax. Additionally, the state offers up to a 30% cash rebate on in-state supplier expenditures if at least \$1 million is spent in the state. There is an annual cap on the amount of rebate funds available per year. Generally, there is a minimum of \$15 million available in rebate funds per fiscal year
South Dakota	South Dakota does not offer film tax incentives.
Tennessee	Tennessee offers filmmakers film incentives through the Credit for Gross Premiums Tax and Job Tax program. A credit equal to 40% of qualified payroll expenses is available to production companies. For payroll expenses paid to residents who live in tier 2, tier 3, or tier 4 enhanced counties, the payroll credit is equal to 50%.
Texas	Texas does not offer film tax incentives.
Utah	In 2021, the annual limit for the Motion Picture Incentive was raised from \$6,793,700 to \$8,393,700. Film production companies can receive a credit of 20% of their expenditures in the state. An additional 5% is available to companies that meet certain requirements, including: <ul style="list-style-type: none"> • Employing a significant percentage of cast and crew from Utah. • Highlighting the state of Utah and the Utah Film Commission in the motion picture credits. • Or other promotion opportunities as agreed upon by the office and the motion picture company.
Vermont	Vermont does not offer film tax incentives.

Virginia	<p>Motion picture productions filmed in Virginia that spend minimum \$250,000, are eligible for a credit of 15% of qualifying expenses or 20% if the film was produced in a distressed area of Virginia.</p> <p>The state also offers a 10% credit of the aggregate payroll expenses for Virginia residents employed by the production when production costs fall between \$250,000 and \$1 million. If production costs exceed \$1 million, the credit offered is equal to 20% of the total aggregate payroll.</p> <p>There is an additional 10% credit for Virginia residents employed for the first time as actors or members of a production crew in connection with the production of a film in Virginia.</p> <p>There is an annual limit of \$6.5 per year.</p>
Washington	Washington does not offer film tax incentives.
West Virginia	<p>West Virginia reinstated its film incentive program in 2021. Film production companies must spend at least \$50,000 to qualify for a credit equal to 27%.</p> <p>The annual cap on tax credits is \$10 million per year.</p>
Wisconsin	Wisconsin does not offer film tax incentives.
Wyoming	Wyoming does not offer film tax incentives.
American Samoa	American Samoa does not offer film tax incentives.
Guam	Guam does not offer film tax incentives.
Puerto Rico	Puerto Rico's Act 27 offers film tax incentives to production companies that spend a minimum of \$50,000 per project. There is a 40% production credit for all payments made to residents and companies in the territory and a 20% credit on all payments made to qualified nonresident individuals.
U.S. Virgin Islands	<p>Film production companies that spend at least \$250,000 are eligible to receive up to 17% in tax credits. The base tax credit for production companies that meet the requirements the tax is equal to 9%. An additional 10% is offered to production that include a U.S. Virgin Islands promotion. If motion picture is produced in St. Croix, there is an additional 10% credit.</p> <p>Film production companies who hire between 20%-25% residents out of their total employees are eligible for a 10% tax credit, if the number is 25.1%- 30% residents the credit is 15%, for productions where over 30.1% of the employees are residents the tax credit is equal to 17%.</p>

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