

ALASKA STATE LEGISLATURE



Rules Committee
•
Senate Finance Committee
•
Health & Social Services Committee
•
Community & Regional Affairs
Committee
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World Trade Special Committee
•
Committee on Committees

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SENATOR JOHNNY ELLIS RULES COMMITTEE CHAIR

Sponsor Statement

CSSB 23: Alaska Film Production Incentive Program Extension

Senate Bill 23 ensures Alaska's continued share of new dollars in to our economy from the multi-billion dollar film and television industry by continuing the successful Alaska Film and Television Production Incentive Program. Since its inception, the film incentive program has brought millions of production dollars to Alaska. Productions have created hundreds of jobs and provided marketing and promotional opportunities for Alaskan businesses, products, and the tourism industry. The continuation of these incentives will create the economic stability required for the private sector to better plan and invest in Alaska's growing film industry infrastructure.

The law currently sunsets after five years or after \$100 million in tax credits have been issued. Eligible productions earn a transferrable tax credit certificate which they can sell to any company with an Alaska corporate income tax liability, offering tax relief to industries as varied as commercial fishing, mining and other business owners. Tax credits are issued only after the film production money has been spent in Alaska, the filming has been completed, and an independent CPA has verified all expenditures.

We have already seen the enormous benefits of "Everybody Loves Whales," a feature film project with an estimated \$30 million production budget. On any given day of production, there were more than 100 Alaskans working both in front of and behind the camera. Over 1,000 Alaskans were employed as cast and extras representing towns and villages across the state. Local businesses enjoyed a boost of more than 12,100 hotel nights, 8,800 car rental days and 7,900 security man-hours during what are typically the quietest months of the year.

Businesses that benefitted from this production included construction companies, towing companies, aerial charters, hardware stores, lumber yards, communication companies, landscaping, restoration companies, dumpster services and rentals, plumbing, heating, rental equipment companies, truck leasing, crane companies, paving companies, catering, cleaning, boat charters, diving companies, survey companies, engineering firms, printing, office supplies, motor-home rentals, shipping companies, airlines, hotels, and restaurants.

Although the legislation creating the film incentives passed in April of 2008, it took quite a while to get this new program up and running. The regulations took more than a year to write and implement, and the current film office director wasn't hired until mid-2009. The first feature film project,

“Everybody Loves Whales”, didn’t even begin filming until the fall of 2010. As has been reported recently in the press, some states with huge budget deficits have been cutting their film incentive programs, this only helps to make Alaska and our program all that more attractive to producers.

Senate Bill 23 would extend the film incentive program for 10 years. The legislation will provide an additional \$100 million in tax credits for the first five years of the extension and \$100 million for the final five years. It increases from 2% to 6% the qualified credit for expenditures in rural Alaska and also caps the total amount of tax credits for a single production at 44%.

Senate Bill 23 also seeks to make common sense improvements to the program to promote accountability, increase reporting requirements and protect Alaskans and Alaska businesses. Towards this end, the legislation requires regular comprehensive audits of the film production incentive program. It also requires additional information regarding the economic impact of the program to be reported to the legislature. Furthermore, Senate Bill 23 codifies in statute a requirement that for a tax credit to be issued it must be verified that there are no outstanding balances to Alaskans or an Alaska business.

Passage of Senate Bill 23 will continue to attract this new multi-billion dollar industry to Alaska. It will build on the jobs and business opportunities created by the existing film incentives and encourage substantial private sector capital investment in this new and growing industry.