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Lights, camera, Alaska! Tax credit could draw \$100M

By Andrew Jensen

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Reality television struck gold in Alaska long ago, but a package of film tax credits passed in 2008 has the state ready to take its act to the big screen.

Two Hollywood films — "Beyond" starring Jon Voigt and "Everybody Loves Whales" starring Drew Barrymore — wrapped in 2010. An independent film shot in Barrow — "On the Ice" — by local director Andrew MacLean competed at the prestigious Sundance Film Festival this January.

"Everybody Loves Whales" has not yet submitted its final application for the tax credit, which will reveal how much the production spent in Alaska while shooting in Seward, Anchorage, Barrow and Fort Richardson. The movie had a reported \$30 million budget and the production was one of the first to apply for the Alaska film credit in May 2009.

Completed projects (\$14.9 million) and pre-approved projects (\$88 million) push the potential spending in Alaska to more than \$100 million.

"Beyond," which had a reported budget of \$10 million, spent \$6.6 million filming in Anchorage last fall and received a tax credit of \$2.14 million, the largest to date. The tax credits, which have averaged about 32 percent of total Alaska spending, are issued based on how and where companies work.

The base credit is 30 percent of Alaska expenditures, with a total incentive of 44 percent available with a 10 percent Alaska hire credit, 2 percent seasonal credit for shooting between October and March, and another 2 percent for shooting in rural Alaska. The credits are transferrable, which means production companies can sell the credits to Alaska companies for reductions in their state corporate income taxes.

Alaska has no state sales or income tax, so the credits will exceed a company's tax liabilities. According to the state Film Office website, the credits can fetch 80 percent to 90 percent of their value and provide an additional cash stream for production companies.

The largest credit by percentage issued to date was 37.67 percent to the production of "Disaster on K2" completed in 2009. The documentary, which did some shooting in Nepal, took advantage of Alaska's scenery to recreate the 2008 expedition that left 11 of 15 climbers dead.

Since the introduction of the credits, 15 productions have wrapped after spending \$14.9 million in Alaska. Tax credits have totaled \$4.9 million to date.

There are now 29 active projects pre-approved for the credit, including "Everybody Loves Whales," with total proposed Alaska spending of about \$88 million and \$29.4 million in potential tax credits.

Alaska Film Office director Dave Worrell cautioned that it is unlikely all \$88 million actually will be spent, but it indicates the growing interest in Alaska's film incentive program.

"As we see some productions happening, particularly feature films, it kind of feeds off of that," Worrell said. "People are a little hesitant to be the first on the block. Now



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The Tweto family (from left), Ayla, Ariel, Jim and Ferno are featured in the reality TV show, "Flying Wild Alaska," a series on the Discovery Channel about Bush pilots. It is one of dozens of productions filmed in Alaska, many of which are taking advantage of the state's tax incentive. *AP Photo/Discovery Channel*

we've seen a couple feature films come in and be successful here, I think the word will get out that, yes you can make a movie in Alaska."

Worrell was particularly excited about "On the Ice," which was shot on a budget of \$524,628 and earned a credit of \$171,145. MacLean is a native of Barrow who attended film school in New York and shot his senior project "short" in his hometown.

The short also qualified for Sundance, and MacLean was encouraged to shoot it as a full-length feature.

"That's exactly what we want to see," Worrell said. "We want to see Alaskans telling Alaskans' story."

With 43 states (including Alaska) and every Canadian province having some kind of film incentives, Worrell said it was "critical" for the Legislature to pass the credits.

"With the global economy the way it is right now, films are having a hard time getting a green light," he said. "It's an indispensable part of the business now. If Alaska is going to be competitive, we have to have some kind of incentive."

Alaska has work to do, though, in having sufficient numbers of qualified crew and movie infrastructure if it wants to attract additional big budget studio films. A variety of tasks are being pursued from the Department of Labor and Workforce Development, to the University of Alaska system, the nonprofit Alaska Crew Training Inc. and the recent partnership between NANA Corp. and Evergreen Films.

Being able to shoot indoors is another need, Worrell said.

"Right now we have to rely on what Alaska has always relied on, our amazing locations," he said. "That right now is the huge draw for us. But filmmakers need something to keep their crew busy on rainy days. Having sound stages where they can do interiors will be a big help for the industry. We recognize this is something that has to pencil in, so it's a little bit of building slowly. We think there's interest and a market for Alaska, but a business case has to be made to build the infrastructure."

The incentive has benefitted the wide array of reality shows that were already home in Alaska such as "Deadliest Catch" and "Ice Road Truckers."

In its sixth season, "Deadliest Catch" spent \$1.75 million in Alaska and received a \$584,562 credit. The third and fourth seasons of "Ice Road Truckers" wrapped in 2010 with a total Alaska spend of \$3.9 million and a credit of \$1.3 million.

A slew of new reality programs also hit the air in 2010 and 2011, including "Alaska State Troopers," "Gold Rush: Alaska," "Flying Alaska Wild" and "Sarah Palin's Alaska." Other shows such as "Ax Men," "Man vs. Wild" and "Top Gear" dropped in to film episodes.

Deadliest Catch, now filming its seventh season, has been a ratings giant for Discovery Channel. It ranked No. 1 in the coveted 25-54 demographic for 14 straight weeks on cable last season, drawing a record average of 5.4 million viewers and 8.5 million for the final episode that recounted the untimely death of Cornelia Marie Capt. Phil Harris.

Ice Road Truckers has steadily drawn more than 3 million viewers; Gold Rush: Alaska attracted 3.7 million viewers for its Jan. 7 premier episode; Alaska State Troopers pulled 6.2 million total viewers for the debut of its second season.

The state tourism office is trying to capitalize on the Alaska fascination with new promos running during the shows, and Worrell noted the boom to New Zealand tourism after the "Lord of the Rings" was filmed there.

"Having Alaska visible on the big screen and small screen, it reminds people, 'that's someplace I've always wanted to go,'" Worrell said. "Maybe the constant presence of Alaska will spur that little extra and 'OK, this is the year I'm going to go.'"

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