



The Alaska Film Office
2012 Report to the 27th Legislature

February 15, 2012

Summary of Alaska Film Production Incentive

Qualification Process

Production companies are required to apply for qualification for the production incentive. To determine if a production meets qualification requirements, a committee reviews the estimated Alaska budget; the script or a synopsis; projected salaries and work history of producers, directors, and actors; and the distribution plan. In addition to the qualification form and documentation, the committee evaluates any anticipated indirect benefits of the production.

A production that completes the process is issued a qualification notice (notice). The notice establishes the two-year period for production and a tax credit estimate. The notice also states the amount of an approved tax credit may vary based on actual qualified expenditures.

Final Application Process

After a production completes its Alaska operations, a final application and supporting documentation are submitted for review, verification, and calculation of the tax credit. In addition to the final application, productions must submit an expense report verified by an independent, Alaska Certified Public Accountant (CPA), a rough assembly of the production, and a sworn certification that the producer followed the laws of Alaska and AFO procedures.

Figure Three	
Tax Credits Redeemed by Fiscal Year	
FY2011	\$ (193,765.00)
FY2012*	\$ (2,224,995.41)

*FY2012 data presented is year-to-date as of February 6, 2012

The department initially provided suggested guidelines for CPAs performing expense report verifications. However, based on a program review, the AFO established mandatory CPA training and Agreed Upon Procedures (AUP) that must be followed when preparing the expense report. The training and AUP became mandatory in February 2012. The AFO completed the first CPA training session on January 27, 2012 with 38 attendees.

A DCCED committee of at least three people reviews the final application and determines the approved tax credit. In the short history of the program, 94.3 percent of requested tax credits have been awarded. After committee approval, the AFO notifies the production company and Revenue of the tax credit award.

Tax Credit Issuance and Transfer

Revenue issues tax credit certificates to producers and manages subsequent credit transfers. The tax credit may be used by producers or transferees as a credit against corporate income taxes within three years of the original date of issuance. Revenue typically issues both tax credit and transfer requests within two business days.

Tax credit certificates are assigned unique numbers when issued. Transfers are made to taxpayers using a form provided by Revenue. As directed by the transferor, replacement certificates are either returned to the transferor or sent directly to the transferee.

Revenue interprets "redeemed" to mean the date the tax return was filed, not the payment due date. The tax due can be reduced by the amount of the credit. The amounts shown above represent the fiscal year in which a credit was claimed on a return filed with Revenue. The average holding time for a tax credit, as of January 31, 2012, was 298 days.

The administrative duties of the film credit program consume approximately 18 percent of a full-time auditor position.



Chery Manning, producer, helps Ron Holmstrom, actor, don his costume for the award-winning short film, 'Change,' produced by Alaskans with a local cast and crew.