

SB

230

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/15/08

FURTHER:

DATE TURNED
IN TO OFFICE: 2/28/08

Finance Committee considered SPONSOR SUBSTITUTE FOR SENATE BILL NO. 230

SB 230 FILM OFFICE/ FILM PRODUCTION TAX CREDIT

"An Act establishing the film office in the Department of Commerce, Community, and Economic Development; and creating a transferable tax credit applicable to certain film production expenditures incurred in the state."

and recommends:

- be replaced with SCS or CS SB 230 (FIN) (FIN)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

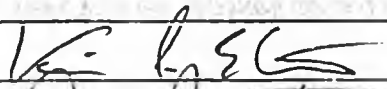

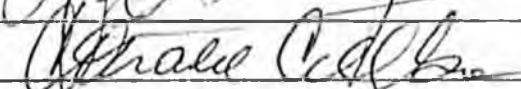


NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
REV	2/19			✓	
CED	2/22	✓			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Elton	✓			
	Thomas	✓			
	Milgrom	✓			
	JOHNSON			✓	
CO-CHAIR:					
CO-CHAIR: 	STEGMAN	✓			

FISCAL NOTE

2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSSS SB 230(L&C)
 () Publish Date: _____

Identifier (file name): SB230CSSS(L&C)-CED-OED-02-22-08 Dept. Affected: DCCED
 Title Film Office/Film RDU Comm Assist & Ec Dev (405)
Production Tax Credit Component Office of Economic Development
 Sponsor Ellis, Stevens
 Requester Senate Finance Component Number 2743

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required		Information				
	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services	150.0	25.0	175.0	175.0	175.0	175.0	175.0
Travel	20.0	3.0	23.0	23.0	23.0	23.0	23.0
Contractual	100.0	5.0	105.0	105.0	105.0	105.0	105.0
Supplies	5.0		5.0	5.0	5.0	5.0	5.0
Equipment	15.0		15.0	15.0	15.0	15.0	15.0
Land & Structures							
Grants & Claims							
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	290.0	33.0	323.0	323.0	323.0	323.0	323.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES (1004)	**	**	**	**	**	**	**
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	290.0	33.0	323.0	323.0	323.0	323.0	323.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	290.0	33.0	323.0	323.0	323.0	323.0	323.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	2.00	0.25	2.25	2.25	2.25	2.25	2.25
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation would create a transferable tax credit to be applied to certain film production expenditures made in Alaska and establishes a film office in the Department.

The base tax credit would be 30% of qualified expenditures with an additional 10% of qualified expenditures that are Alaska wages, an additional 2% for expenditures made in a rural area, and an additional 2% for expenditures made in the state between October 1 through March 30. The minimum spending amount would be set at \$50,000; there would be no maximum amount of credit that can be taken.

Prepared by: Joe Austerman, Manager
 Division: Office of Economic Development
 Approved by: Ernie R. Notti, Commissioner
Commerce, Community, and Economic Development

Phone: 907.269.4568
 Date/Time: 2/22/08 6:38 PM
 Date: 2/22/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSSS SB230(L&C)

ANALYSIS CONTINUATION

Duties of the office would include: Cooperating with the private sector to expand the film production industry; promoting Alaska as a film location; providing production assistance through connecting filmmakers with Alaska location scouts, services and contractors; certifying and promoting a production internship training program in ; administering the incentive program; and preparing an annual report to the legislature.

To fulfill the duties established in the bill, the Department would keep the one-quarter existing position in the Office of Economic Development to supervise staff, prepare annual marketing and business plans, and help promote the incentive and intern programs. The Department would hire a Development Specialist to fulfill the duties assigned by the legislation and an Administrative Assistant to handle the administrative work associated with implementing the incentive program. Travel costs are estimated to cover in-state, out-of-state, and international travel for trade shows, visits to production companies, producer familiarization tours, training, meetings with in-state film industry and communities, and to provide production assistance (connecting filmmakers to Alaska contractors). Contractual expenditures would include web site development, marketing plan development, photo purchases, development of a production guide, promotional materials, limited advertising creative and placement, printing, workshops, training, memberships, subscriptions and other film related services.

Change in Revenue: The department is not able to determine the impact the transferable tax credit would have on the general fund. Unknown are the number of productions that would apply for the transferable tax credit and the amount that qualified producers would spend in the state. Also unknown are the maximum amount of transferable tax credit that can be given per production and the maximum amount of tax that can be given for all productions.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSSSB 230 (L&C)
() Publish Date: _____

Identifier (file name): CSSSSB230(LC)-DOR-TAX-2-19-08 Dept. Affected: Revenue 04
Title: Film Office / Film Production Tax Credit RDU: Taxation and Treasury
Component: Taxation and Treasury
Sponsor: Senators Ellis, Stovens, Davis, Dyson
Requester: (S) Labor & Commerce Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Dan Slickol, Economist
Division: Tax
Approved by: Jerry Burnett
Department of Revenue

Phone (907) 465-3279
Date/Time 2/19/08 12:00 AM
Date 2/19/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSSSSB 230 (L&C)

ANALYSIS CONTINUATION

Bill Language:

This bill will create a tax credit, applicable against corporate income tax liability, for certain film production activities in the state of Alaska. Features of the credit include:

- Base tax credit equal to 30% of qualified production expenditures
- An additional 10% credit for qualified wages paid to Alaska residents
- An additional 2% credit for qualified expenditures made in a rural area
- An additional 2% credit for qualified expenditures made between October 1 and March 30
- Unused credits may be transferred or carried forward for future liability

The credit is available only if certain conditions are met: the film producer must have over \$50,000 in qualified expenditures in Alaska, and the production must be approved by the Film Office of the Department of Commerce, Community and Economic Development. The credit is targeted by way of excluding several categories of film production. The following categories of film production would not be eligible for the credit: News, weather and current events programming; financial, talk or game shows; productions intended primarily for industrial, corporate, institutional or internal purposes; sports events or programs; gala presentations or awards shows, infomercials and productions that solicit funds; political advertisements; and sexually explicit productions.

Alaska will join a growing number of states that have a film production tax credit. According to an April 2007 article in "The Hollywood Reporter," there were 31 states with film production tax credits at that time, with several others considering the credits.

Film production tax credits vary between states, with the most generous as of April 2007 being Connecticut's 30% transferable credit on all production expenses over \$50,000 with no cap on the amount of the credit. Like Connecticut's credit, Alaska's proposed credit would be transferable, requires \$50,000 in eligible expenses, and has no cap. Alaska's 30% base tax credit can be augmented by the additional 10% credit for Alaska resident payroll, 2% credit for rural expenditures and 2% credit for off-season production. Alaska's credit will therefore be one of the most generous in the nation in terms of the percent of qualified production expenditures.

Revenues:

While the revenue impact of this bill is indeterminate, we believe that it is likely that the revenue impact will be negative to the state. It is not possible to estimate the amount of liability that could be generated or offset by this credit because we do not know the value of current eligible film production expenditures in the state, the amount of new eligible expenditures that might be attracted to the state, or the ownership of the companies that will be producing films in the state.

Based on our discussions with film industry groups and other states, production expenses are typically incurred by a Limited Liability Corporation (LLC) formed for the purpose of film production, with profits flowing to the owners of the LLC. Under Alaska state law, LLCs are treated as partnerships and not subject to corporate income tax. Income or loss will flow through to the LLC's owners. Owners of LLCs can include C-corporations, S-corporations, partnerships and individuals. Under Alaska law, S-corporations, partnerships and individuals are not subject to state income taxation. To the extent the eligible LLC passes income through to these non-taxable entities, Alaska will receive no compensating tax revenue. Similarly, to the extent the LLC incurs losses, Alaska would receive no compensating tax revenue. To the extent that C-corporations hold an ownership interest in the LLC, these corporations will pay Alaska tax. However, it is likely that the LLCs will be organized to minimize the overall tax liability.

Corporate income tax is paid in four quarterly installments throughout the tax year, plus a payment with return in March of the following year. We anticipate that eligible companies will adjust their payments beginning in FY 2009 to account for the impact of the new film production tax credit.

Expenditures:

We anticipate that this credit can be implemented in the Department of Revenue using existing staff and resources. Most of the work related to credit approval and determinations will be made by the Department of Commerce, Community and Economic Development.

25-LS1275\V
Bullard
2/28/08

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 230()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS ELLIS, Stevens, Davis

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing the film office in the Department of Commerce, Community, and**
2 **Economic Development; creating a transferable tax credit applicable to certain film**
3 **production expenditures incurred in the state; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1. AS 43.98 is amended by adding a new section to read:**

6 **Sec. 43.98.030. Film production tax credit. (a) In cooperation with the film**
7 **office in the Department of Commerce, Community, and Economic Development, the**
8 **department shall provide a transferable film production tax credit to a producer, as**
9 **defined in AS 44.33.239, for qualified production expenditures under AS 44.33.231 -**
10 **44.33.239.**

11 **(b) A tax credit provided under (a) of this section may be sold, assigned,**
12 **exchanged, conveyed, or otherwise transferred in whole or in part.**

13 **(c) A taxpayer acquiring a transferable credit may use the credit or a portion of**
14 **the credit to offset taxes imposed under AS 43.20 (Alaska Net Income Tax Act). Any**

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portion of the credit not used may be used at a later period or transferred under (b) of this section.

(d) The department shall adopt regulations necessary for the administration of this section.

(e) A credit provided under (a) of this section, whether sold, assigned, exchanged, conveyed, or otherwise transferred, in whole or in part, must be used within three years after being provided by the department.

* Sec. 2. AS 44.33 is amended by adding new sections to read:

Article 2A. Film Office.

Sec. 44.33.231. Duties. (a) There is created a film office in the Department of Commerce, Community, and Economic Development. The film office shall

- (1) cooperate with organizations in the private sector for the expansion and development of film production industries in the state;
- (2) promote Alaska as an appropriate location for film production;
- (3) provide production assistance through connecting film directors, makers, and producers with Alaska location scouts and contractors, including contractors providing assistance with permit applications;
- (4) certify Alaska film production internship training programs and promote the employment of program interns by eligible productions; and
- (5) in cooperation with the Department of Revenue, administer the Alaska film production incentive program.

(b) The film office shall make available to the legislature, within 30 days after the start of each regular session, a report of the activities conducted by the film office under AS 43.33.231 - 43.33.239. The report must include

- (1) the number of applications received under AS 44.33.234;
- (2) the number of applications approved by the film office; and
- (3) the number of, and amount of, tax credits disbursed under AS 44.33.232.

(c) The commissioner shall appoint a director to oversee the film office and carry out its duties under AS 44.43.231 - 44.43.239.

(d) The director appointed under (c) of this section shall be appointed by the

conceptual: provide that the commissioner shall consider appointing the director from a list of 5 candidates submitted by the Film Group

CSSSSB 230() after HOW TO USE UNDELETED/DELETED TEXT BRACKETED!

1 commissioner from a list of five names submitted by the Alaska Film Group.

2 **Sec. 44.33.232. Alaska film production incentive program.** Subject to
3 appropriations for the purpose, the film office shall administer in cooperation with the
4 Department of Revenue the Alaska film production incentive program to provide a tax
5 credit under AS 43.98.030 for certain film production expenditures incurred in the
6 state.

7 **Sec. 44.33.233. Eligibility.** (a) A film production is eligible for a tax credit
8 under AS 43.98.030, if the

9 (1) producer has \$100,000 or more in qualified expenditures in a
10 consecutive 24-month period under AS 44.33.236;

11 (2) production is approved by the film office.

12 (b) The following productions are not eligible, regardless of the production
13 costs:

14 (1) news, weather, or current events programming;

15 (2) a production produced primarily for industrial, corporate, or
16 institutional purposes, and for internal use;

17 (3) an infomercial or any production that solicits funds;

18 (4) a political advertisement; or

19 (5) a production that is determined by the film office to contain
20 sexually explicit conduct as defined in 18 U.S.C. 2256.

21 **Sec. 44.33.234. Qualification for film production tax credit.** (a) A film
22 producer may apply for the film production tax credit under AS 43.98.030 by
23 submitting an application to the film office on a form provided by the film office. The
24 application must include

25 (1) a script or synopsis of the production;

26 (2) the names of the producer, director, and proposed cast;

27 (3) estimated start, completion, and filming dates; and

28 (4) other information the film office may require to determine the
29 producer's eligibility for a credit and the estimated amount of the credit.

30 (b) If the film office approves an application submitted under (a) of this
31 section, the film office shall issue a preliminary certificate to the producer. The

1 certificate must include a determination by the film office of the estimated film
2 production tax credit for which the production qualifies.

3 **Sec. 44.33.235. Award of film production tax credit.** (a) The film office shall
4 determine the amount of the tax credit under AS 43.98.030 available to a producer
5 who has obtained a preliminary certificate under AS 43.33.234(b), based on the
6 qualified expenditures of the production under AS 44.33.236.

7 (b) The base amount of a tax credit awarded under this section is equal to 30
8 percent of the qualified expenditures of the production.

9 (c) In determining the amount of the tax credit, the percentage provided by (b)
10 of this section shall be increased by the film office based on the following criteria:

11 (1) an additional 10 percent of qualified expenditures that are wages
12 paid to Alaska residents;

13 (2) an additional two percent of qualified expenditures made in a rural
14 area; and

15 (3) an additional two percent of qualified expenditures made in the
16 state between October 1 and March 30.

17 (d) After completion of the production, the producer shall provide the film
18 office with a production cost report detailing the qualified expenditures of the
19 production, with verification by an independent certified public accountant that the
20 costs claimed in the report are qualified expenditures under AS 44.33.236.

21 (e) The film office, in cooperation with the Department of Revenue, shall
22 award a tax credit under AS 43.98.030 based on the information provided under (d) of
23 this section.

24 (f) The film office may not seek recourse against a producer or a taxpayer who
25 has acquired a tax credit under AS 43.98.030(b) for any portion of the credit that may
26 be subsequently disqualified.

27 **Sec. 44.33.236. Determination of qualified expenditures.** (a) Expenditures
28 made by a production company in connection with a film production approved by the
29 film office that shall be considered qualified expenditures include preproduction,
30 production, and postproduction expenditures directly incurred in this state that are
31 directly used in the production, including

- 1 (1) costs of set construction and operation;
- 2 (2) costs of wardrobes, make-up, accessories, and related services;
- 3 (3) costs associated with photography and sound synchronization;
- 4 (4) costs of lighting and related services and materials;
- 5 (5) costs of editing and related services;
- 6 (6) rental of facilities and equipment;
- 7 (7) leasing of vehicles;
- 8 (8) costs of food and lodging;
- 9 (9) costs of digital or tape editing, film processing, transfer of film to
- 10 tape or digital format, sound mixing, and special and visual effects;
- 11 (10) the total aggregate payroll for services performed in Alaska,
- 12 including all salaries, wages, compensation, and related benefits provided to
- 13 producers, directors, writers, actors, and other personnel;
- 14 (11) the costs of the use of an Alaska payroll company;
- 15 (12) costs of music, if performed, composed, or recorded by an Alaska
- 16 musician, or released or published by an Alaska-domiciled company;
- 17 (13) airfare, if purchased through an Alaska-based travel agency or
- 18 travel company;
- 19 (14) insurance costs or bonding, if purchased through an Alaska-based
- 20 insurance agency;
- 21 (15) costs relating to the design, construction, improvement, or repair
- 22 of a film, video, television, or digital production or postproduction facility or related
- 23 property, infrastructure, or equipment, except commercial exhibition facilities, as
- 24 determined by the film office;
- 25 (16) costs of state or municipal taxes levied in Alaska on the lease or
- 26 rental of passenger or recreational vehicles or the rental of rooms or other lodging; or
- 27 (17) other similar production expenditures as determined by the film
- 28 office.
- 29 (b) Production costs that may not be considered qualified expenditures include
- 30 (1) the cost of a report or examination prepared for eligibility for the
- 31 film production tax credit;

- 1 (2) postproduction expenditures for marketing and distribution;
- 2 (3) expenditures not directly attributable to the production;
- 3 (4) amounts that are later reimbursed, resulting in a reduction in
- 4 production costs;
- 5 (5) amounts that are paid to a person or entity as a result of
- 6 participation in profits from the exploitation of the production;
- 7 (6) costs related to the transfer or use of a film production tax credit
- 8 under AS 43.98.030;
- 9 (7) compensation and wages paid to a highly compensated individual.

10 (c) In this section, "highly compensated individual" means a person who
11 receives compensation in excess of \$2,000,000 a year in connection with a single
12 qualified film production.

13 **Sec. 44.33.238. Regulations.** The film office may adopt procedures and
14 regulations to carry out its functions under AS 44.33.231 - 44.33.239.

15 **Sec. 44.33.239. Definitions.** In AS 44.33.231 - 44.33.239,

- 16 (1) "commissioner" means the commissioner of commerce,
17 community, and economic development;
- 18 (2) "department" means the Department of Commerce, Community,
19 and Economic Development;
- 20 (3) "film" includes television, commercials, and videos;
- 21 (4) "film office" means the film office created under AS 44.33.231;
- 22 (5) "producer" means a person who arranges financing for or
23 supervises the production of a film, video, commercial, or television production or
24 pilot;
- 25 (6) "rural area" means a community with a population of 1,500 or less
26 or a community with a population of 5,500 or less that is not connected by road or rail
27 to Anchorage or Fairbanks.

28 * **Sec. 3.** AS 43.98.030; AS 44.33.231(a)(5), 44.33.231(b), 44.33.232, 44.33.233, 44.33.234,
29 44.33.235, 44.33.236, and 44.33.239(6) are repealed.

30 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 TRANSITION. (a) Notwithstanding secs. 3 and 5 of this Act, the film office shall
2 award a tax credit to a film production that has submitted a production cost report under
3 AS 44.33.235(d), enacted by sec. 2 of this Act, before July 1, 2013.

4 (b) A film production tax credit may be used to offset taxes imposed under AS 43.20
5 (Alaska Net Income Tax Act) or sold, assigned, exchanged, conveyed, or otherwise
6 transferred, in whole or in part, within three years after being provided by the Department of
7 Revenue under AS 43.98.030, enacted by sec. 1 of this Act, notwithstanding the repeal of
8 AS 43.98.030 in sec. 3 of this Act.

9 * Sec. 5. Section 3 of this Act takes effect July 1, 2013.

ALASKA STATE LEGISLATURE

Senate Labor and Commerce
Committee, Chair

Legislative Budget and Audit
Committee

Senate Rules Committee

Committee on Committees



While in Session
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Juneau, AK 99801
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Fax: (907) 465-2529

While in Anchorage
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SENATOR JOHNNY ELLIS
SENATE MAJORITY LEADER

7/22/08

Sponsor Statement CSSSSB 230 (L&C): Alaska Film Incentive Program

Senate Bill 230 would make Alaska competitive with other states and countries by creating the Alaska Film Incentive Program and re-establishing the Alaska Film Office. Alaska is one of only five states without an incentive program, which is necessary to attract the billions of dollars spent annually on film and television productions around the world. States with innovative and aggressive incentives have been able to diversify their economies and create new high-paying private sector jobs, while benefiting from an infusion of investment dollars. These projects also bring millions of dollars worth of marketing and promotion for Alaska businesses, products, and tourism.

In Alaska, we have seen the enormous benefits for the crab industry associated with the television show "The Deadliest Catch." The production of "Into the Wild" employed hundreds of Alaskans and spawned a new tourist attraction. These two successes show the potential of the film and television industry in Alaska, but without an incentive program, Alaska will continue to miss out on the vast majority of productions. To give just a few examples of productions set in Alaska but filmed elsewhere from recent years, Columbia's "30 Days of Night" (\$32 million production budget) was shot in New Zealand, Touchstone's "The Guardian" (\$80 million) was shot in Louisiana, Buena Vista's "Mystery, Alaska," (\$28 million) and "Snow Dogs" (\$33 million) in Alberta, and Warner Bros.' "Insomnia" (\$46 million) and the ABC TV show "Men in Trees" in British Columbia.

The Film Incentive Program would establish a transferable tax credit of 30% of qualified spending with an additional 10% for local hire, 2% for shooting in rural Alaska and 2% for working in the winter months. Eligible productions could use the credit or sell it to any company with a corporate income tax liability. Tax credits would be issued only after the production has completed filming in Alaska and an independent CPA has verified the spending.

The Film Office would administer the Incentive Program and provide assistance to productions interested in filming in Alaska. From the founding of the office in 1982 throughout the 1990s, the Film Office provided assistance with permits, location scouting, workforce development, and connecting Outside film producers with local talent and suppliers. They also marketed Alaska as a filming location to film and television producers. These duties provided valuable support for Alaska's film companies, and are necessary for a viable industry.

Alaska is the most photogenic location in the world, but it is not on film producers' map because there is no incentive program. SB 230 will bring our state positive attention, substantial investment and a strong and diversified economy.

FISCAL NOTE

2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSSSB 230(L&C)
 (S) Publish Date: 2/15/08

Identifier (file name): SB230SS-CED-OED-02-04-08 Dept. Affected: DCCED
 Title Film Office/Film RDU Comm Assist & Ec Dev (405)
Production Tax Credit Component Office of Economic Development
 Sponsor ELLIS, Stevens
 Requester Senate Labor & Commerce Component Number 2743

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services	150.0	25.0	175.0	175.0	175.0	175.0	175.0
Travel	20.0	3.0	23.0	23.0	23.0	23.0	23.0
Contractual	100.0	5.0	105.0	105.0	105.0	105.0	105.0
Supplies	5.0		5.0	5.0	5.0	5.0	5.0
Equipment	15.0		15.0	15.0	15.0	15.0	15.0
Land & Structures							
Grants & Claims							
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	290.0	33.0	323.0	323.0	323.0	323.0	323.0

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES (1004)	**	**	**	**	**	**	**
------------------------------------	----	----	----	----	----	----	----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	290.0	33.0	323.0	323.0	323.0	323.0	323.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	290.0	33.0	323.0	323.0	323.0	323.0	323.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	1.00	0.25	1.25	1.25	1.25	1.25	1.25
Part-time							
Temporary	1	1	1	1	1	1	1

ANALYSIS: (Attach a separate page if necessary)

This legislation would create a transferable tax credit to be applied to certain film production expenditures made in Alaska and establishes a film office in the Department.

The base tax credit would be 25% of qualified expenditures with an additional 10% of qualified expenditures that are Alaska wages, an additional 1% for expenditures made in a rural area, and an additional 1% for expenditures made in the state between October 1 through March 30. The minimum spending amount would be set at \$50,000; there would be no maximum amount of credit that can be taken.

Prepared by: Joe Austerman, Manager
 Division: Office of Economic Development
 Approved by: Emil R. Notti, Commissioner
Commerce, Community, and Economic Development

Phone 907.269.4568
 Date/Time 2/4/08 6:21 PM
 Date 2/4/2008

FISCAL NOTE #2

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSSSSB 230(L&C)

ANALYSIS CONTINUATION

Duties of the office would include: expanding the film production industry; promoting Alaska as a film location; providing production, permitting and location scouting assistance; certifying a production internship training program in conjunction with the University of Alaska; administering the incentive program; and preparing an annual report to the legislature.

To fulfill the duties established in the bill, the Department would keep the one-quarter existing position in the Office of Economic Development to supervise staff and prepare annual marketing and business plans, and would hire one new Development Specialist and a temporary college intern. Travel costs are estimated to cover in-state, out-of-state, and international travel for trade shows, visits to production companies, producer familiarization tours, training, meetings with in-state film industry and communities, and to provide production and location services to filmmakers (connecting filmmakers to Alaska contractors). Contractual expenditures would include web site development; marketing plan development; photo purchases; development of a production guide, promotional materials, limited advertising creative and placement; printing, workshops, location and other related services. Miscellaneous expenditures would include staff training, memberships, and subscriptions.

Change in Revenue: The department is not able to determine the impact the transferable tax credit would have on the general fund. Unknown are the number of productions that would apply for the transferable tax credit and the amount that qualified producers would spend in the state. Also unknown are the maximum amount of transferable tax credit that can be given per production and the maximum amount of tax that can be given for all productions.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2027
Mail Stop 3101

2/22/08
FEB 15 2008

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 15, 2008

SUBJECT: Sectional summary of CSSSSB 230(L&C)
(Work Order No. 25-LS1275\O)

TO: Senator Johnny Ellis
Attn: Max Hensley

FROM: Alpheus Bullard *AB*
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Adds a new section to AS 43 (Revenue and Taxation) directing the Department of Revenue, in cooperation with the Department of Commerce, Community, and Economic Development (department), to provide a transferable income tax credit that may be used or transferred in whole or in part to certain film producers.

Section 2. Adds new sections to AS 44.33 (Department of Commerce, Community, and Economic Development) related to the establishment of an Alaska film office and the administration of a film production incentive program in the state.

Sec. 44.33.231. Establishes new duties for the department relating to (1) the promotion, expansion, and development of the film production industry and (2) administration of a film production incentive program.

Sec. 44.33.232. Directs the department, in cooperation with the Department of Revenue, to administer a film production incentive program.

Sec. 44.33.233. Provides criteria for a film production's eligibility for a tax credit.

Sec. 44.33.234. Directs how a film producer may qualify for a film production tax credit.

Sec. 44.33.235. Establishes how the department will determine the amount of a tax credit awarded. Requires a film producer to provide the film office with a production cost report

Senator Johnny Ellis
February 15, 2008
Page 2

at the completion of production, and further provides that the department will not seek recourse against a film producer or later holder of a tax credit awarded under the section.

Sec. 44.33.236. Provides what qualified preproduction, production, and postproduction expenditures may be used in determining the amount of the tax credit awarded to a film producer.

Sec. 44.33.238. Allows the department to adopt regulations necessary to carry out its functions under secs. 44.33.231 - 44.33.239.

Sec. 44.33.239. Adds definitions.

If you have questions, please do not hesitate to contact me.

TLAB:lmb
08-034.lmb

TOP STORY ■■■

THURSDAY, FEBRUARY 21, 2008

Star-struck states sweeten film incentives

By Daniel C. Vock, Stateline.org Staff Writer

Along the desert outskirts of Albuquerque sits a collection of cavernous buildings the size of airplane hangars, some more than six stories tall. Built for \$75 million, with another \$15 million expansion in the works, they house make-believe worlds — city streets, basketball arenas, stately mansions or even mountainsides (complete with trucked-in snow). Anything a movie producer might desire.

In short, Albuquerque Studios, which opened in June, is the crown jewel in New Mexico's efforts to attract big money from the film industry. New Mexico's top politicians and film experts lured the facilities with what the developer called "visionary" incentives, including tax rebates, no-interest loans and training credits. Now, the studios will play a key role in the state's strategy for making sure the industry keeps coming back to New Mexico for a long time.

New Mexico was the second state (after Oklahoma) to pursue film projects with tax breaks, and its efforts have paid off handsomely — in both money and prestige. The film industry spent \$476 million in the state last year, compared to \$1.5 million in 2001, the year before it enacted film tax incentives.

Come Sunday (Feb. 24), New Mexico may even be able to brag about an Oscar or two. Four films nominated for Academy Awards this year were shot in the Land of Enchantment: "No Country for Old Men," "3:10 to Yuma," "In the Valley of Elah" and "Transformers."

The new movie studios, and others like them across the country, are the latest carrot some states are offering to snare movie business from other states offering increasingly more generous tax breaks.

States such as New Mexico, Louisiana and Massachusetts, many of which already attracted lots of film business with their tax incentives, are natural places for the new studios. Film crews are already familiar with the states, and they have plenty of financial motivation to stay. The studios draw bigger, longer-term projects and sometimes spawn permanent production crews who live nearby.

How film incentives work

Every state but Alabama, Alaska, Delaware and New Hampshire offers incentives for the film industry, although the last three don't have sales taxes.

The sweeteners elsewhere include grants, no-interest loans, exemptions from hotel taxes, plus rebates, exemptions and credits for income and sales taxes.

But states vary widely on how generous they are. Missouri filmmakers get 35 percent of their local costs as a transferable tax credit, while Nevada, Ohio and North Dakota provide only exemptions for hotel stays, according to Entertainment Partners, which tracks tax incentives for the entertainment industry.

Two of the most popular incentives — and the most lucrative for filmmakers — are tax rebates and transferable tax credits.

All things being equal, those in the industry prefer rebates. Basically, if a company spends \$100 million in a state with a 25 percent rebate, the business will get a check for \$25 million back from the government.

But for policymakers who think the idea of cutting a big check for Hollywood producers is unseemly, there's a more complicated option that also benefits other state taxpayers: the transferable tax credit.

Instead of cash, the film companies get credit against their tax obligations. Since most of them owe very little in state taxes, they can sell the credits to other taxpayers, usually wealthy people or companies.

The credits can create headaches for the film companies.

In December 2006, Louisiana had six sound stages, but it had enough work to support 10 that year, according to a study done for the state.

Pennsylvania and Rhode Island are on track to get state-of-the-art studios soon. Pacifica Ventures, the real estate developer responsible for Albuquerque Studios, has announced plans for film facilities in those states.

And a group of studio executives are considering building a new movie facility at a former naval base in Massachusetts, if the state will extend the same tax breaks to the film industry as it gives to manufacturers.

"Infrastructure allows a state... to draw real production — big time production — that doesn't just swing in for three weeks and shoot second-unit stuff," said Jeremy Hariton, senior vice president of Albuquerque Studios. "They actually move in for six months and use the local restaurants and stay in homes and patronize businesses and do the kind of stuff that really leaves dollars in town."

In Louisiana, the tax incentives were so successful they set off a building spree by private investors that may leave the Bayou State with a glut of facilities.

A state study by the Chicago firm Economic Research Associates determined Louisiana would need up to 15 sound stages to meet demand in the coming years, compared to the six it had at the time. But with the state, in essence, paying up to 40 percent of the cost of new projects, developers rushed to plan another 32 sound stages by 2010 to meet the anticipated demand.

"Clearly, it is unlikely that all of these developments will be supportable in the marketplace," the study concluded.

But with some states successfully pulling hundreds of millions of film dollars into the local economy, the tax incentive derby shows no signs of stopping.

Last Thursday (Feb. 14), Indiana lawmakers overrode a veto from Gov. Mitch Daniels (R) for the first time, approving a \$15 million film incentive package. Wisconsin's first-ever incentives went into effect at the beginning of the year.

Michigan Gov. Jennifer Granholm (D) suggested during her Jan. 29 State of the State speech that Michigan offer "the most robust incentives in the nation," perhaps as high as 40 percent.

Other factors have also steered film business to the states. The federal government started offering its own tax incentives in 2004, allowing film producers deductions on their federal taxes as well. Meanwhile, a weak U.S. dollar has made filming abroad in Australia, Western Europe and Canada considerably more expensive than staying in this country.

But the incentives don't always guarantee filmmakers will come.

"If you're going to have to bring your entire crew to Connecticut, you may get a credit. But you're also housing your entire crew and feeding your entire crew," said Joseph Chianese, a vice-president of the Los Angeles consulting firm Entertainment Partners.

"People who are in the business of making movies are typically not in the business of selling tax credits," said John Hadily, a former Miramax Films executive who now runs a New York-based consulting firm.

There are transaction costs, such as hiring brokers and lawyers to negotiate the sale of the credits. And, of course, the credits never sell for their full face value, because buyers are looking for a way to pay fewer taxes.

The extra costs mean states with transferable credits have to offer more generous benefits to match rival states with rebates.

That's why Lisa Strout, director of the New Mexico Film Office, said her state's pitch to filmmakers offers more than its generous film production rebate, which effectively reimburses film companies for 25 percent of the amount they spend in New Mexico. She touts the largest number of local crew of any state between the coasts, with 1,800 local people in the industry.

She also points out that New Mexico's varied landscape (including deserts, mountains, prairies and cityscapes), is so diverse it doubled for seven states in one movie.

"This is new money coming into our economy. All the crew that I see have new trucks, they're buying homes, they're sending their kids to college. It's the way you want it to work," she said.

New Mexico plans to study the overall economic impact on the state, but economists often estimate that local economies get a boost of \$1.50 to \$3 for every \$1 spent by the film industry, Strout said.

There's one fan who's clearly reveling in New Mexico's film heyday: recent presidential candidate Gov. Bill Richardson (D). The governor, who's in Hollywood talking to TV executives this week, ran a Western-themed TV ad during his 2006 re-election bid that highlighted the movie boom. As he rode off into the sunset on horseback, he told his companions, "Next time, let's make a space movie."

Related stories:

[Lights! Camera! States vie for filmmaking action](#)

Comment on this story in the space below by [registering with Stateline.org](#), or e-mail your feedback to our [Letters to the editor](#) section at letters@stateline.org.

Contact Daniel C. Vock at dvoock@stateline.org.

Comment on this story in the space below by [registering with Stateline.org](#).

ISSUES AND TOPICS ▄▄▄

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COMMENTS (0) ▄▄▄

There are no comments yet, would you like to add one?

2/22/08

LEGISLATIVE RESEARCH REPORT

DECEMBER 21, 2007



REPORT NUMBER 08.077

ALASKA FILM OFFICE

PREPARED FOR SENATOR JOHNNY ELLIS

BY THERESA SVANCARA, LEGISLATIVE ANALYST

You asked for a history of the Alaska Film Office. Specifically, you wished to know about the statutes authorizing the Film Office and a history of the program's budgets.

In Fiscal Year 1982, Alaska lawmakers appropriated \$115,000 to the Division of Tourism, in the Alaska Department of Commerce and Economic Development (DCED), to provide film development services in Alaska.¹ At the time, the program was called Alaska Motion Pictures and T.V. Services and was created to promote interest in Alaska through feature films, television programs and commercials. Some of the initial efforts by the Department to attract the film industry included offering familiarization tours and financial assistance for visiting location scouts, participation in trade shows, advertising, and the development of a production manual for filmmakers that described Alaska and the services available to filmmakers here. In designing the program, Don Dickey, the director of the Division of Tourism at the time, decided that the service could be provided with existing division staff. Initially, twenty-five percent of one full-time staff position was dedicated to film development activities.²

From its inception until 1999, the film development program remained in the Division of Tourism.³ During this time the program was referred to as the Alaska Film Office or simply the Film Office. In the mid 1990's, the Film Office had an average of three staff and an annual allocation from

¹ The program was not authorized by a specific statute, but rather created by a legislative appropriation. In 2004, Alaska lawmakers combined the Departments of Commerce and Economic Development and Community and Regional Affairs to form the Department of Commerce, Community, and Economic Development (DCCED).

² This information is from a 1983 Legislative Research Services report that analyzed the feasibility of a film commission in Alaska. We provide a copy of this report as Attachment A.

³ According to Phil Bennett, who has worked with the DCED since 1985, during the 1980's and 1990's, film development activities were included in the tourism marketing program and performed by the Division of Tourism staff. Ms. Bennett reported that in 1999, when Alaska lawmakers assigned the tourism marketing function to a trade association, the function of the Film Office remained by default in the DCED. Ms. Bennett, who is currently the DCCED fiscal manager, can be reached at (907) 465-5445.

tourism marketing funds ranging from \$400,000 to \$730,000. In 1999, Alaska lawmakers transferred many tourism marketing functions from the Division of Tourism to a trade association. The Film Office was also moved out of the Division of Tourism; however, it remained in the DCED. Since 1999, the services performed by the Film Office have been shifted among several divisions in the Department, including the commissioner's office, the Division of International Trade, the Division of Trade and Development, and currently the Office of Economic Development. Decreased funding resulted in scaled-down film development services, replacing efforts to generate business with the film industry with efforts to simply respond to inquiries.

Currently, Caryl McConkie, tourism program manager in the Office of Economic Development DCCED, oversees film development activities.⁴ She reports that around 2004, the Department began referring to the Alaska Film Office as the Alaska Film Program to reflect the reduction in services provided. Ms. McConkie said that she currently spends about 25 percent of her time on film development activities. Her efforts include responding to inquiries from the film industry, referring film industry representatives to Alaskan film production support service companies, participating in one trade show each year, maintaining a membership with the Association of Film Commissioners International, and participating in the required training that the association offers. The Office of Economic Development also maintains a website for the Alaska Film Program that assists the film industry by providing permitting requirements for filming in Alaska, available Alaskan production and support services, and useful links to internet sites.⁵ Ms. McConkie reported that the estimated amount of tourism marketing funds allocated for the Alaska Film Program has ranged from \$20,000 to \$33,000 between FY 2005 and FY 2008. Table 1 shows the expenditures reported by categories such as staff, travel, trade shows, and memberships for the past four years. Ms. McConkie provided a history of the Alaska Film Office/Program that we include as Attachment B.

In addition, you may be interested in a 2005 Legislative Research Report entitled, "Tax Incentives for the Film Industry," which we include as Attachment C. This report describes incentives offered to the film industry by states in the United States. Also included is a detailed description of a tax credit offered in Ontario, Canada.⁶

⁴ Caryl McConkie, tourism program manager with the Office of Economic Development, DCCED, can be reached at (907) 465-5478.

⁵ The Alaska Film Program website can be viewed at <http://www.dced.state.ak.us/ed/film/office.htm>

⁶ Kathleen Wakefield, "Tax Incentives for the Film Industry," Legislative Research Services, June 27, 2005.

Table 1: Alaska Film Program Expenditures, Fiscal Years 2005-2008

Program Components	FY 05	FY 06	FY 07	FY 08
Staff Salary ^(a)	\$ 23,000	\$12,600	\$25,000	\$25,000
Training	\$0	\$800	\$800	\$800
Travel	\$1,500	\$3,000	\$3,000	\$3,000
Trade Show	\$1,000	\$2,000	\$2,500	\$2,500
Memberships	\$500	\$500	\$500	\$750
Supplies	\$0	\$500	\$500	\$500
Printing	\$0	\$0	\$500	\$500
Equipment	\$0	\$750	\$0	\$0
Total	\$26,000	\$20,150	\$32,800	\$33,050

NOTES: Expenditures are estimates.
 (a) Twenty-five percent of one full time position is dedicated to the Alaska Film Program. Salaries include benefits. In FY 06, the staff position was filled for only six months of the year.
SOURCE: Caryl McKonzie, tourism program manager, Office of Economic Development, Alaska Department of Commerce, Community, and Economic Development. (907) 465-5478.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

2/22/08



Bob Crockett
Debra Schildt
Kate Tesar

WHO WE ARE

- A non-profit trade association with a diverse membership base.
- A voice for the film and video industry of Alaska.
- Advocates to create economic opportunities and jobs for our members and Alaska businesses.



ALASKA'S GOALS AFG'S GOALS



- Progress
- Productivity
- Putting Alaskans to work

COMPILED FILE 1

AFG PRESENTS

**OUR NEXT GOLD RUSH!
SB 230!**

SENATE BILL-230



- CREATES:**
- Diversification of our economy
 - New private sector jobs
 - Opportunities for new training programs
 - Jobs for interns, crew, and native Alaskans
 - Infusion of construction dollars
 - Millions of dollars worth of P/R
 - Opportunities in rural Alaska
 - Tax credits for corporations

WHO BENEFITS?

- Wage Earners
- Air Service Providers
- Catering Companies
- Hotels
- Retailers
- Freight Companies
- Rental Companies
- Security Companies
- Tourism Businesses



WHO IS MISSING OUT?

- Barrow
- Anchorage
- Fairbanks
- Juneau
- Kodiak
- Nome
- Palmer
- Sitka

Across Alaska we are missing out.

TAX CREDIT INCENTIVES

HOW THEY WORK

- Film Budget= \$8 M.
 - Qualified Expenditures in Alaska or ground spend= \$3 M.
Tax Credit on ground spend @ 30% = \$900K.
 - Local Hire= \$ 1 M.
Tax Credit on qualified payroll @ 10% = 100 K.
 - Total Alaskan Film Tax Credit= \$1 M
- Production Company receives
1M Transferable Tax Credit
Tax credit is brokered to Alaskan corporate taxpayer
for 90 cents on dollar (prices vary)

ECONOMIC IMPACTS

"NORTHERN EXPOSURE"



- In production from 1990 - 1994 for a total of 110 episodes
- 110 X \$639,000.00 = 92,290,000.00 M in total production costs
- Total series ground spend = \$69,217,500.00 M

Source: T-2 Guide 20199

GLOBAL COMPETITION



"INSOMNIA"

- Set in Alaska.
- Shot in B.C. Canada
- Estimated ground spend of 37.5 Million.

Source: Louisiana Television Office and IMPLAN

U. S. COMPETITION LOUISIANA - INCENTIVES AND IMPACTS

- 25% investor tax credit
- 10% credit on Louisiana payroll
- 40% credit on infrastructure development

2 YEARS LATER

Film jobs -
5,437 to an additional 13,445 jobs
Film production -
7 Million to 343 Million



Source: Louisiana Film and Television Office

STATE OF OUR STATE



Captured Discover Channel's
"Deadliest Catch" = 3.7 MILLION

Lost ABC's
"Men in Trees" = 20 MILLION

Lost Sony Pictures
"30 Days of Night"
Estimated ground spend =
37.5 MILLION



Source: IMPLAN and Amazon

WELCOME TO SITKA, MASSACHUSETTS

- Incentives
- Rebates
- Tax Credits





SHOW ME THE MONEY

Product Type	Crew Size	Economic Impact Per Shooting Day
Feature Film		
Low Budget	100-150 crew	\$100,000
Average Budget	150-200 crew	\$150,000
High Budget	200-300 crew	\$200,000
TV Production		
Low Budget	50-75 crew	\$50,000
Average Budget	75-100 crew	\$75,000
High Budget	100-150 crew	\$100,000
Commercial		
Low Budget	25-50 crew	\$25,000
Average Budget	50-75 crew	\$50,000
High Budget	75-100 crew	\$75,000
Other		
Low Budget	10-25 crew	\$10,000
Average Budget	25-50 crew	\$25,000
High Budget	50-75 crew	\$50,000

Source: Alaska Film Commission, 1995 Plan FY'07-FY'10 Alaska Film Commission

CREW RATES

- Director of Photography @ 87.13 per hr.
- Key Grip @ 34.53 per hr.
- Electrician @ 30.92 per hr.
- Key Hair Stylist @ 39.29 per hr.
- Painter @ 34.68 per hr.
- Craft Service @ 25.03 per hr.
- Studio Teacher @ 37.50 per hr.
- Production Assistants @ 150.00 per day



Source: Dreamworks-rate per hr / 8 hour minimum

FILM DEVELOPMENT DYNAMICS THE MULTIPLIER EFFECT

STAKE HOLDERS

Films
Investors
Unions
Office of Film and Video

MARKETS

Demand for products
Connections to production companies
Local Media

INFRASTRUCTURE

Airports, roads
Location opportunities
Future studios & stages

LABOR FORCE

Crew base
Arts community
"Industrial atmosphere"

Source: Economics Research Associates

TAKING STOCK WHAT ALASKA HAS TO OFFER



- Mystique
- God's back lot
- Professional crews
- No state sales tax

MISSING CRITERIA

- Incentive Program

PASSAGE OF SB-230

- Creates Jobs
- Diversifies the Economy
- Stimulates Tourism
- Builds Infrastructure & Support Services
- Offers opportunities for Rural Alaska
- Promotes Educational & Internship Programs
- Provides Transferable Tax Credits for Alaskan Corporations

THE OSCAR GOES TO... THE STATE OF ALASKA



2/22/08

LEGISLATIVE RESEARCH REPORT

JANUARY 24, 2008



REPORT NUMBER 08.101

FUNDING FOR STATE FILM COMMISSIONS

PREPARED FOR SENATOR JOHNNY ELLIS

BY TIM SPENGLER, LEGISLATIVE ANALYST

You asked for information regarding state film commissions. Specifically, you wished to see budgets for film commissions from other states, as well as the Alaska Film Office's budget from the early 1990s forward, if available.

The Association of Film Commissioners International (AFCI) provided us with their 2006 membership profile survey which we include as Attachment A. While this survey does not provide a state by state look at film commission budgets, nor does it identify individual states or countries, it does include general information on budget ranges and employment figures for various film commissions.¹ For example, the survey shows that nearly 60% of respondents identify their budgets (not including salaries) at between \$50,000 and \$250,000. Another relevant table chronicles that more than 73% of film commissions employ between one and five full time staff. Bill Lindstrom, Chief Executive Officer of AFCI, notes that he is not aware of any source that compiles and publishes the budgets of all state film commissions.² He believes that the AFCI survey is the most comprehensive available—albeit in aggregate form. We contacted the National Conference of State Legislators, as well as conducting an Internet search, and could not locate comprehensive film commission budgetary information in disaggregated form. Therefore, we conducted a telephone survey of a number of state film commissions.

Table 1 contains the information we gathered from our queries. Please note that the budget figures in this table are estimates given to us by staff from each state. Among the states we surveyed (excepting Alaska), Kansas has the smallest estimated annual film commission budget at \$100,000. This is roughly three times more than Alaska's film program budget. Staff in the Texas and New Mexico offices estimated their state's film budget at around \$1.2 million.³

¹ Film commissions from 34 states or countries participated in the survey. Sixty four percent of the respondents were from the United States.

² Bill Lindstrom can be reached at (307) 637-4422.

³ According to Carol Pirie, Deputy Director of the Texas Film Commission, nearly half a million of the Texas budget is earmarked for a crew training program. Ms. Pirie can be reached at (512) 637-4422.

Table I: Film Commission Information from Selected States, 2008

State	Contact Person	Agency Location	Number of Staff	Estimated Annual Budget
Alabama	Courtney Murphy, Liaison Specialist, Alabama Film Commission, (334) 353-0221	Dept. of Economic Development	4 full time	\$253,000
Alaska	Caryl McConkie, Tourist Program Manager, (907) 465-5478	Dept. of Commerce and Economic Development	1/4 time position	\$33,000
Iowa	Tom Wheeler, Manager, Iowa Film Office, (515) 242-4726	Dept. of Economic Development	1 full time	\$125,000
Kansas	Peter Jasso, Manager, Kansas Film Office, (785) 256-6151	Dept. of Commerce	1 full time	\$100,000
Montana	John Ansotegui, Location Coordinator, Montana Film Office, (800) 553-4563	Dept. of Commerce	4 full time	\$400,000
New Mexico	Jennifer Schwalenberg, Deputy Director, New Mexico Film Office, (505) 476-5600	Dept. of Economic Development	11 full time and contract	\$1,200,000
North Carolina	Aaron Syrett, Director, North Carolina Film Office, (866) 468-2273	Dept. of Commerce	4 full time	\$700,000
Oregon	Bob Schmaling, Senior Project Manager, Oregon Film and Video, (503) 229-5832	Governor's Office	5 fulltime, 1 part time	\$480,000
Texas	Carol Pirie, Deputy Director Texas Film, (512) 463-9200	Governor's Office	9 full time, 2 contract	\$1,200,000
Vermont	Joe Bookin, Executive Director, Vermont Film Commission, (802) 828-3518	Dept. of Tourism	1 full time, 1 part time	\$200,000
Washington	Suzy Kellett, Manager, Washington Film Office, (206) 256-6151	Dept. of Economic Development	2 full time	\$240,000
West Virginia	Pam Haynes, Manager, WV Film Office, (304) 558-2200	Dept. of Commerce	3 full time	\$360,000
Wyoming	Michelle Howard, Manager, Wyoming Film Office, (800) 458-6657	Dept. of Tourism	2 full time	\$300,000

Notes: All information in this table was provided by the individuals listed in contact column. Budget figures are estimates. States were selected to represent a geographic sampling. All states in the table, except Alaska, provide some level of incentives for filming in their state.

Unfortunately, there are no historical budget data available for the Alaska Film Program (formerly the Alaska Film Office) aside from the figures for the last few fiscal years. Table 2 enumerates film program expenditures from fiscal year 2005 through fiscal year 2008. Caryl McConkie, tourist program manager in the Office of Economic Development (DCED), oversees film development activities.⁴ Ms. McConkie explained that for many years the Film Office was located within the Division of Tourism. Because there were not separate line items for the Film Office in the Division's budget, the funding history cannot be tracked. Phil Bennett, DCED's fiscal manager who has been with the Department since the mid-1980s, confirmed that the Film Office's historical budgetary data are not available.⁵

Table 2: Alaska Film Program Expenditures, Fiscal Years 2005-2008

Program Components	FY 05	FY 06	FY 07	FY 08
Staff Salary ^(a)	\$ 23,000	\$12,600	\$25,000	\$25,000
Training	\$0	\$800	\$800	\$800
Travel	\$1,500	\$3,000	\$3,000	\$3,000
Trade Show	\$1,000	\$2,000	\$2,500	\$2,500
Memberships	\$500	\$500	\$500	\$750
Supplies	\$0	\$500	\$500	\$500
Printing	\$0	\$0	\$500	\$500
Equipment	\$0	\$750	\$0	\$0
Total	\$26,000	\$20,150	\$32,800	\$33,050

NOTES: Expenditures are estimates.

(a) Twenty-five percent of one full time position is dedicated to the Alaska Film Program. Salaries include benefits. In FY 06, the staff position was filled for only six months of the year.

SOURCE: Caryl McConkie, tourism program manager, Office of Economic Development, Alaska Department of Commerce, Community, and Economic Development, (907) 465-5478.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

⁴ Caryl McConkie can be reached at (907) 465-5478.

⁵ Phil Bennett is currently out of the office but can be reached in February 2008 at (907) 465-5445.

National Public Radio
Day to Day
November 13, 2007

2/22/08

Alaskans Irked by Misrepresentation on Screen

ALEX CHADWICK, host:

Here's one thing Hollywood producers can agree on. They love Alaska - spectacular landscape, abundant wildlife, the pioneer mystique. This is a great place to base a film, but often in name only. Actually, most of the movies and TV shows about Alaska are shot somewhere cheaper and warmer.

Now there is word that for a new Disney film starring Sandra Bullock - to be set in the quaint town of Sitka - the role of Alaska will be played by Massachusetts.

Elizabeth Arnold reports from Alaska.

ELIZABETH ARNOLD: The old adage location, location, location is just that - old. It's now all about incentives, incentives, incentives. And Alaska, it seems, is one of the last states to realize this. It's been a painful realization.

Take the Kevin Costner film "The Guardian," for example.

(Soundbite of movie, "The Guardian")

Unidentified Man #1: One hundred miles off the Alaskan coast, six members of a Coast Guard search and rescue team embarked on a mission.

ARNOLD: The movie grossed \$54 million. It was filmed in Shreveport, Louisiana because the state offered the film company a rebate.

Deborah Schildt of the Alaska Film Group.

Ms. DEBORAH SCHILDT (Alaska Film Group): What's really pathetic is when you realize that it reached the point that Shreveport, Louisiana can double for Alaska.

ARNOLD: And that's just one movie Alaska lost out on. There's the Disney movie "Snow Dogs," the Al Pacino thriller "Insomnia"; even a movie called "Alaska," all filmed somewhere else. Last Friday, the film group gathered some concerned Alaskans, politicians, chambers of commerce people, filmmakers and others, to hear why the state with so much to offer is losing out.

Consultant Dama Chasle, formerly with 20th Century Fox, says it takes more than natural beauty to lure Hollywood. She told the group Alaska is one of the few states that doesn't offer some kind of rebate, tax credit, no interest loan or exemption.

Ms. DAMA CHASLE (Consultant): You're not giving any financial incentives right now. You're one of the five that are sitting on nowhere land.

ARNOLD: Canada started courting the film business in the early 1990s, and other countries and states began following suit, competing for production companies the way they used to vie for automobile plants.

Ms. CHASLE: We talked today a little bit about the fact that a vampire movie based in Barrow, Alaska was filmed in New Zealand, which has a 15 percent rebate.

(Soundbite of movie, "30 Days of Night")

ARNOLD: And it's not just movies they're trying to lure; television series can be even more lucrative. (Soundbite of "Northern Exposure" theme music)

ARNOLD: Alaskans were mildly perturbed that the television hit series "Northern Exposure" was filmed in Roslyn, Washington. That was years ago. Still today, tourists visit Roslyn to walk the streets of what's supposed to be an Alaskan town. More recently, Alaska missed out yet again on a TV series supposedly based in Alaska.

(Soundbite of TV series, "Men in Trees")

Unidentified Man #2: And now a sneak peak of the season premiere of "Men in Trees."

Unidentified Man #3: Okay, people, the latest marine weather report still shows the Arctic cyclone passing well to the west of us, but...

ARNOLD: The new "Northern Exposure," "Men in Trees," is being shot in Canada. According to Chasle, the state is missing out on about a million and a half dollars a week for every episode. Jeffrey Begun of Axium, a film payroll company in Los Angeles, says if Alaska were to offer some kind of rebate and loan program, it could be more than competitive.

Mr. JEFFREY BEGUN (Axium International): Immediately, a number of studios will jump in because they like to jump with something new and when they're going to get something back on it. And the independents will start coming here. I think there'd be a whole move of people.

ARNOLD: Those attending the meeting hoped to capitalize on the attention the state's received from Sean Penn's recent movie that was shot in Alaska, "Into the Wild." Penn, however, is unusual in that he had a huge budget and was committed to authenticity. The film has generated tremendous interest in the state.

Deborah Schildt with the Alaska Film Group hopes it's a start. She says she's tired of seeing what's special about Alaska being duplicated someplace else.

Ms. SCHILDT: It's like, hey, but that's our quirkiness that you're cashing in on, that's our uniqueness, that's our mystique, and why not us? And we all need to look at that and make steps so that the next "Men in Trees" should be shot here. Our men in trees, our women in trees, our dogs in trees - it's ours.

ARNOLD: Schildt and others aim to introduce incentive legislation in the coming months to lure Hollywood north to the real Alaska.

For NPR News, I'm Elizabeth Arnold in Anchorage.

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Anchorage Daily News

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TV show heats up king crab market

'DEADLIEST CATCH': A restaurant chain will credit the Time Bandit.

By MARGARET BAUMAN
Alaska Journal of Commerce

(01/22/08 00:56:47)

Greater domestic retail demand, due in large part to a popular cable television series, has led to solid markets continuing for wild Alaska red king crab in the early days of 2008.

"If you are a buyer and need king crab right now, I couldn't tell you where to go and get it," said Dave Keen, a wholesale crab marketer with the Crab Broker, a major domestic distributor of high-end seafood.

At this point, with the king crab season all but over in Alaska waters, if you don't have a business relationship with one trader or another, it's certain that you will not be able to buy No. 1 red king crab, Keen said.

The snow crab harvest, meanwhile, was under way in earnest this month, with a number of processors posting an advance price of \$1.58 a pound, compared with about \$1.50 a year ago, said Greg White, a negotiator for the Inter Cooperative Exchange, which represents the bulk of Bering Sea king and snow crab harvesters.

Since the king crab harvests began in mid-October, vessels have harvested nearly all of the allowable catch of about 20 million pounds of wild king crab, according to reports compiled by the state Department of Fish and Game.

The popularity of the domestic red king crab has been so greatly enhanced by the "Deadliest Catch" cable television series that one major restaurant chain will be adding the name of the vessel that harvested its entrees to its menu, Keen said.

After representatives of the Oceanaire chain met captains of the crab vessel Time Bandit, the Crab Broker was able to purchase for the chain crab harvested by the vessel, he said.

Oceanaire, which normally buys on a spot basis, placed a large order this year for frozen as well as fresh king crab, Keen said, citing the contract as an example of the growing retail interest in wild Alaska king crab.

"Our business is selling crab throughout the year," he said. "The season starts in mid-October. Last year we ran out of crab about a month and a half before the start of the new season. We are thinking that because of demand that we may run out again."

Wholesale prices for the wild Alaska king crab are up about \$1 a pound because of the higher demand.

This year buyers paid \$8.95 for crab delivered to the dock in Seattle, compared with about \$7.65 a pound a year ago, he said. If there had been more competition from Russian king crab from the Barent Sea, prices would have been lower for the Alaska crab.

With this year's allowable snow crab quota at about 63 million pounds, compared with about 36 million pounds a year ago, White said he expects it to be a good season, despite diminished capacity in the processing sector.

"It will all get caught, because we got off to an early start," he said.

Snow crab fisheries normally begin to pick up about Jan. 15, when the snow crab have good infill, and the fishing continues through May, White said.

Last year only about 17 percent of the harvest went to Japan, but White said he expects Japanese buyers to take a higher percentage this year.

"Sometimes the Japanese market is stronger; sometimes the U.S. is stronger," he said.

While harvesters are not happy with the current posted advance price, "It's a fair price to go fishing for," he said.

Even with the anticipated robust harvest, Alaska harvesters and processors are eager to produce as much as possible before May. The Eastern Canada snow crab fishery, which produces about 200 million pounds of snow crab, begins in April, and prices become more competitive as May approaches.

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'Into the Wild' likely to inspire Alaska travel, contest entries

FAIRBANKS, Alaska (AP) — The new movie *Into the Wild* tells the story of Christopher McCandless, a young adventurer who wandered across the continent and died in the Alaskan wilderness in 1992 at the age of 24.

Fans of the movie may be inspired to visit some of the locales and landscapes featured in the film. You can even enter a contest to win a trip to Fairbanks, Alaska, part of a joint promotion between the movie and the Fairbanks Convention and Visitors Bureau, at <http://www.intothewild.com/>. (Click on "Adventure" for the entry form; the contest ends Oct. 26.)

But the *Fairbanks Daily News-Miner* reports that local tourism officials are also concerned about insuring the safety of tourists who might come on their own seeking to see the abandoned bus near Denali National Park in Alaska where McCandless died. The remote site is out of cellphone range, reachable only by hiking the Stampede Trail and fording the Teklanika River.

The newspaper reported that Fairbanks tourism officials plan to include an article about the book, movie and trail in an upcoming 2008 visitors guide, but that the article will include a cautionary note about potential dangers.

Alaska is only one of many places featured in the film, directed by Sean Penn and starring Emile Hirsch as McCandless. Scenes from the movie include shots of Hirsch camping in the Gran Desierto de Altar, part of Mexico's Sonoran Desert; taking a tram to California's San Jacinto Peak; visiting a bar in Carthage, S.D.; kayaking Colorado River rapids, and crossing the raging Teklanika River. A clickable map at <http://www.intothewild.com> offers shots from the film, links, and information about McCandless' odyssey.

Meanwhile, in a press release entitled "'Into the Wild' (and back again safely)," the Alaska Travel Industry Association is promoting trip ideas that offer a taste of adventure "with the assurance of survival."

The options include staying at one of Denali Park's lodges — Camp Denali, Northface Lodge, Denali Backcountry Lodge or the Kantishna Roadhouse; a floatplane trip to a bear-viewing site in Katmai National Park; glacier-trekking in Wrangell-St. Elias National Park, and visiting Gates of the Arctic National Park, which is accessible only by air and averages fewer than 5,000 visitors a year.

Another option for an unusual Alaska adventure is a new tour from the Travcoa company, which is offering an eight-day trip, Feb. 27-March 5, built around the famed Iditarod Trail Sled Dog Race. The trip — \$5,995 a person — takes an inside look at the life of a musher and includes stops at a wilderness lodge and a race checkpoint. Details at <http://www.travcoa.com>.

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Find this article at:

http://www.usatoday.com/travel/news/2007-10-03-wild-alaska_N.htm

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Check the box to include the list of links referenced in the article.

Forbes magazine

1/29/08

How Does It End?

As the dollar falls, Hollywood falls in love again with making movies in the U.S. But spurned Canada fights back.
By Chaniga Vorasarun

LAST JULY MARK CUBAN and Todd Wagner's 2929 Productions began scouting locations for "The Burning Plain," starring Charlize Theron. With its overcast skies—not to mention 18% film tax credit—Vancouver

seemed the perfect backdrop for the mother-daughter-relationship drama. But one month earlier Oregon, with its similarly rainy backdrop, doubled its tax rebate on film expenditures—such as hotel rooms and coffee for the



Border wars: actress Charlize Theron, director Guillermo Arriaga.

crew—to 20%. At the same time, the U.S. dollar was falling fast against the Canadian dollar. When the loonie surpassed the greenback for the first time in 30 years in September, the

movie's producers made the call to film in Oregon. After factoring in the exchange rate, they figured it would cost \$200,000 less to shoot there. Filming started in Portland in

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Outfront

November. "The weak dollar has taken Canada out of the mix for the most part," says Michael Upton, a senior vice president at the Los Angeles firm.

Ten years ago Canada started wooing U.S. film producers with tax incentives and a favorable exchange rate. That did the trick: Spending on film production in Canada grew from \$430 million to \$1.2 billion. But now the plotline has taken a turn, and as the U.S. dollar heads south, so, too, are

film crews. The weak dollar is the big factor, of course, but states including Massachusetts, Utah and Mississippi sweetened deals with beefed-up tax breaks last year.

The motion picture association of British Columbia—the largest film production center in Canada—estimated the province's 2007 revenues dropped by 23% to \$1 billion from the previous year.

Canadians are not going down without a fight. In No-

vember British Columbia's motion picture association said its crews would accept the U.S. dollar at par for work on American productions if and when the Canadian dollar surges ahead of the greenback. The province also extended its 18% tax credit—due to expire this year—until 2013. More remote Canadian locales are going to even greater extremes. In September Halifax said it was increasing its tax credit to 50%, up from 35%. In rural Nova

Scotia the rate jumped to 60%.

Vancouver's Insight Films, the country's largest studio unaffiliated with a big production company, is even willing to take a hit. At the U.S. dollar's low point in September, Chief Executive Kirk Shaw locked in an 88-cents-to-the-Canadian-dollar rate—a loss of 12 cents for every dollar spent at that time. "Everybody in Hollywood is going to be redoing the math about where to shoot," Shaw says.

New Tax Break Spurs Film Production in State

By C. J. HUGHES

THE New Haven Green, with its paths, lawns and trees, can do a decent impression of Central Park, which is why the makers of "The Bronx Is Burning" — a cable-television miniseries about the 1977 Yankees — filmed scenes there last year. New London, Norwich, Waterford and Mystic also stood in for New York, among other places.

Yet the real reason those cameras, and others belonging to major studios, have been rolling in Connecticut, producers say, is a generous new tax credit — the largest of its type in the country, state officials say.

As of July 1, 2006, moviemakers who spend \$50,000 can discount their tax bills by 30 percent, putting Connecticut in direct competition with states like North Carolina, New Mexico and Louisiana, which have become popular alternative locations to the twin powerhouses of California and New York.

Although Connecticut's incentive has been in place for seven and a half months, it already seems to be working, some might say.

"In Bloom" and "Reservation Road," two major Hollywood productions, went to film in Connecticut as soon as the tax break kicked in. "In Bloom," which stars Uma Thurman, chose sites in New Haven and Norwalk, while "Reservation Road," with Joaquin Phoenix in the lead, opted for Stamford.

As spring approaches, Lions Gate, Warner and Disney are talking to state officials about bringing their projects to Connecticut, said Heidi Hamilton, director of the film division of the State Commission on Culture and Tourism.

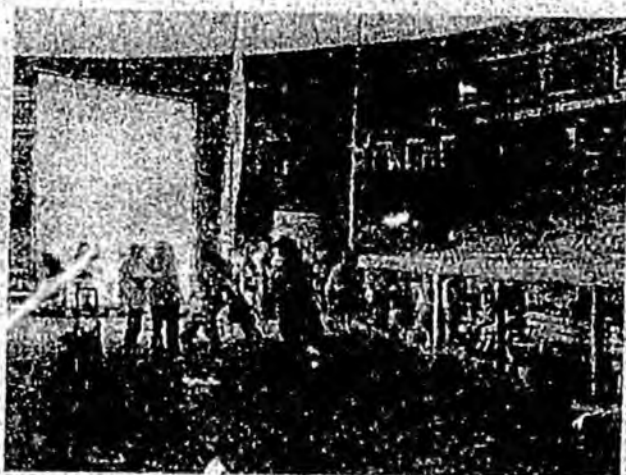
"It's premature to do any name-dropping at this point, but we're getting phone calls and inquiries now from studios we've never heard from before," Ms. Hamilton said. "It signals that we're doing the right thing."

Producers declined to say how much they saved by shooting in the state. Giving corporations any kind of tax breaks — especially as high as 30 percent — can often elicit fierce opposition. Yet in Connecticut, naysayers have seemed relatively quiet.

The before and after figures may offer an explanation.



C. M. Glover for The New York Times
EXTRAS Heidi Tolbert cleans costumes in Mystic "village" for the cast of "The Bronx Is Burning."



ON LOCATION Scenes for "The Bronx Is Burning" being filmed at Dodd Stadium in Norwich.

Calls come in from studios never heard from before.

Before last year, movie productions spent \$1 million a year in Connecticut. (The pivotal showdown in the "War of the Worlds" in 2005, for example, was filmed at a former tire factory in Naugatuck, and in "Friday the 13th Part 2," Jason Voorhees skulked around North Spectacle Lake in Kent. Still, Connecticut's on-screen legacy is conspicuously limited.)

Last year, in contrast, moviemakers spent \$52 million in the state — including hotel rooms, rental cars, offices and security guards — with everything but \$700,000 being spent after July 1, according to Ms. Hamilton.

"Without the tax break, we wouldn't have gotten that money," she said.

For their part, producers said Connecticut offers benefits that are hard to quantify, like its proximity to New York City. Actors are more likely to accept a role if they can drive home at night, said Ron Semlao, a senior vice president of ESPN Original Entertainment, which is producing "The Bronx Is Burning."

"We would seriously consider filming in the state again," Mr. Semlao said. "It was a terrific experience."



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(202) 293-1966

TESTIMONY OF

REED STOOPS

IN SUPPORT OF ALASKA FILM INCENTIVE LEGISLATION SB230

BEFORE THE

SENATE FINANCE COMMITTEE

FEBRUARY 28, 2008

THANK YOU MR CHAIRMAN. I REPRESENT THE MOTION PICTURE ASSOCIATION OF AMERICA, OR THE MPAA. AS YOU MAY KNOW, THE MPAA IS THE TRADE ASSOCIATION REPRESENTING THE NATION'S LEADING PRODUCERS AND DISTRIBUTORS OF MOTION PICTURES AND TV PROGRAMS. CBS, DISNEY, FOX, SONY, PARAMOUNT, UNIVERSAL AND WARNER BROS. I APPRECIATE THE OPPORTUNITY TO BE HERE TODAY TO SUPPORT SB230

THE MPAA HAS SEEN A DRAMATIC SURGE IN RECENT YEARS OF STATES ADDING FILM/TV PRODUCTION INCENTIVES TO ATTRACT THIS VERY CLEAN ECONOMICALLY STIMULATING INDUSTRY.

A 30% TRANSFERABLE TAX CREDIT FOR FILM PRODUCTION IN THE STATE IS COMPETITIVE. ADDITIONALLY, THE BILL INCLUDES IMPORTANT ELEMENTS LIKE NO ANNUAL CAPS AND FEW OBSTACLES TO ACCESS THE INCENTIVE, WHICH ARE KEYS TO A SUCCESSFUL PROGRAM.

AN INCREASING NUMBER OF STATES HAVE ENACTED NEW OR ENHANCED FILM PRODUCTION CREDIT STATUTES TO COURT ADDITIONAL PRODUCTION TO THEIR STATE. LAST YEAR 10 STATES EITHER ENHANCED PRODUCTION INCENTIVES OR ADDED NEW ONES.

HISTORY HAS SHOWN US WHAT CAN RESULT FROM COMPETITIVE TAX INCENTIVES. LOUISIANA HAD MINIMAL FILM PRODUCTION BEFORE 2002; HOWEVER, THEIR CUTTING EDGE FILM PRODUCTION TAX INCENTIVE MADE THEM THE PLACE TO FILM IN THE SOUTH IN

ONE YEAR. NOW MANY STATES ARE MODELING THEIR TAX INCENTIVES AFTER LOUISIANA.

IN CLOSING, IF ALASKA ENACTS FILM CREDIT ENHANCEMENTS, COUPLED WITH ITS VIBRANT NATURAL RESOURCES, IT COULD CREATE AN IMPORTANT CATALYST FOR ECONOMIC GROWTH WELL INTO ALASKA'S FUTURE.

THANK YOU AND I YIELD TO ANY QUESTIONS.

AMENDMENT

1

Stedman

OFFERED IN THE SENATE

TO: CSHB 61(FIN)

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2 Delete "the lesser of

3 (1) an amount equal to"

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5 Page 3, line 4:

6 Delete "(A)"

7 Insert "(1)"

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9 Page 3, line 5:

10 Delete "(B)"

11 Insert "(2)"

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13 Page 3, lines 5 - 6:

14 Delete "; or

15 (2) 50 percent of the taxpayer's tax liability under this title"

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17 Page 3, lines 21 - 22:

18 Delete ", in current or emerging employment sectors"

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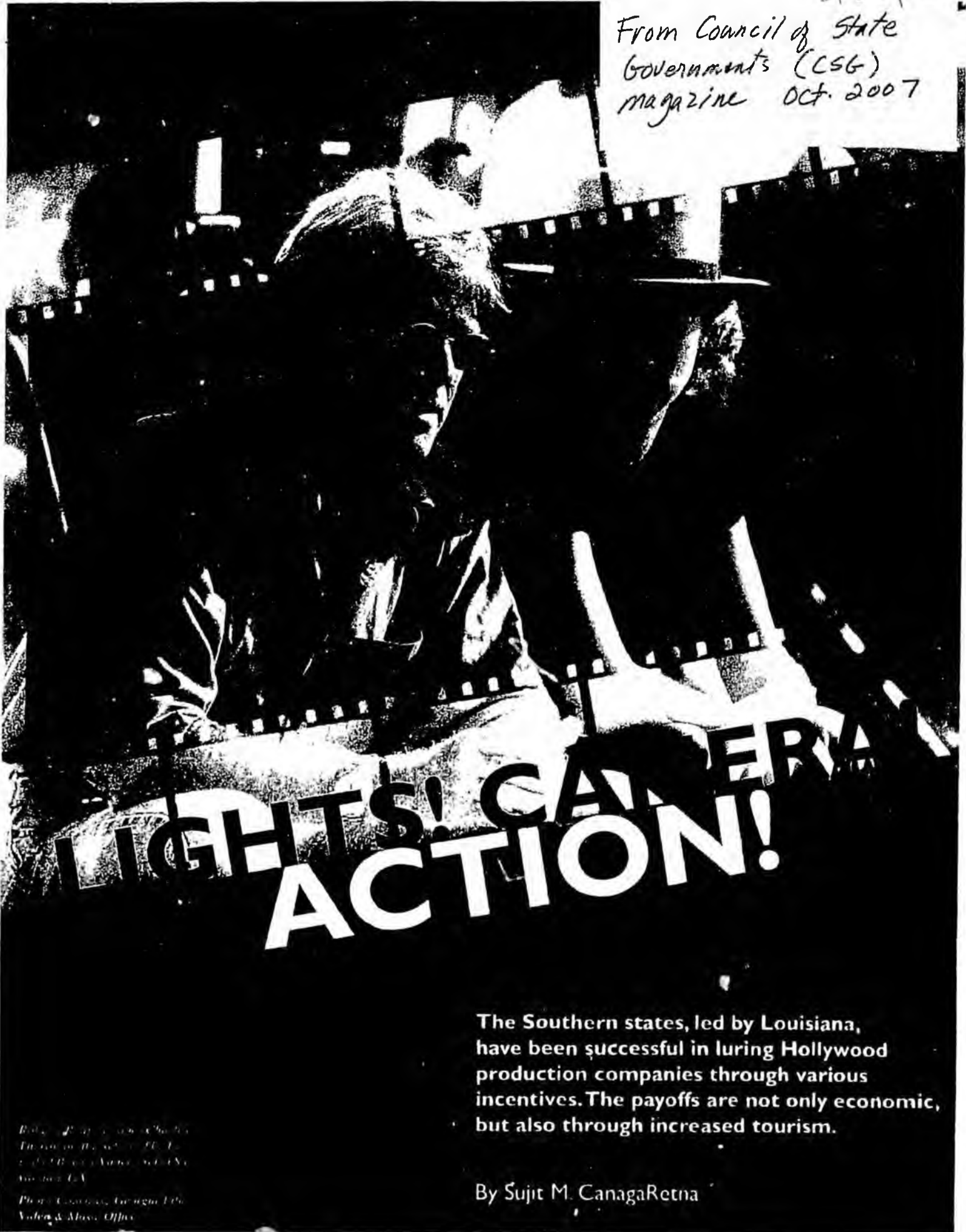
20 Page 7, line 28:

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22 Insert "2009"

2/22/08

From Council of State
Governments (CSG)
magazine Oct. 2007

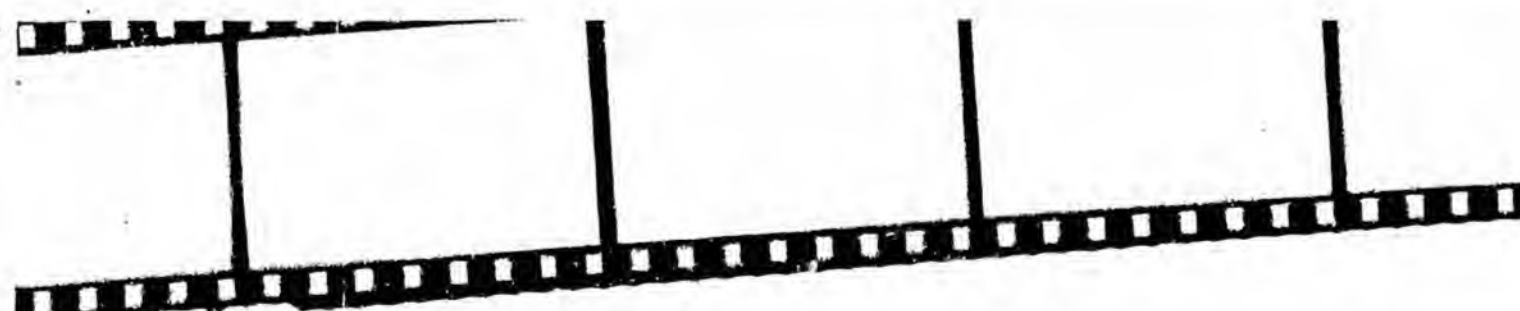


LIGHTS! CAMERA! ACTION!

The Southern states, led by Louisiana, have been successful in luring Hollywood production companies through various incentives. The payoffs are not only economic, but also through increased tourism.

By Sujit M. CanagaRetna

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For more than a century, the motion picture industry—symbolized by Hollywood—has been recognized internationally as an American phenomenon.

Ever since 1891, when Thomas Alva Edison and his British assistant, William Kennedy Laurie Dickson, invented the Kinetograph, a device that synchronized film projection with sound from a phonograph record, America's influence in the development and advancement of this industry has been pre-eminent.

By the early 1920s, most American film production had moved from the East Coast to Hollywood, lured there by a range of incentives offered by the Los Angeles Chamber of Commerce.

That trend continues with nearly every state offering incentives to attract filmmakers to work within their borders. Thanks to a weakening U.S. dollar, technological advances and the high cost of production in California, states are getting a piece of the \$60 billion film industry pie.

Economics Lure Filmmakers Overseas

While California, specifically Hollywood, remains the fulcrum of the U.S. motion picture industry, the state, by its own admission and the analysis of independent observers, remains a high-cost location for many businesses, including the film industry.

In the late 1980s, movie producers saw an opportunity to lower overall costs by filming in foreign locations.

Another factor that allowed producers to effectively use this option was the tech-

nological advances in film production. This allowed films to be shot outside the major production centers in California.

In an effort to take advantage of studios seeking lower production costs, foreign countries began aggressively pursuing American filmmakers by offering a range of economic incentives.

Canada ranked very high among the foreign nations that pursued these U.S. productions and was successful in recruiting a plethora of movies filmed in the Canadian provinces.

Similarly, Britain, Mexico, Australia, the Czech Republic and other Eastern European locales soon ranked high as alternate filming locations for hundreds of U.S. movies and television shows. Consequently, by the late 1980s and throughout the 1990s, the blend of financial incentives offered by these foreign countries and a strong U.S. dollar made filming outside the U.S. a sound fiscal decision.

Declining Dollar Lures Film Industry Home

An interesting twist of events, however, turned things around for the American movie industry beginning around 2000. During the past seven years, the steady depreciation of the U.S. dollar has proved to be an unexpected boost to the domestic film industry.

During the 1980s and 1990s, American film producers took advantage of the U.S. dollar appreciating, vis-à-vis the major world currencies, and made films overseas. The steady erosion in the value of the U.S. dollar, however, made filming outside the

U.S. increasingly expensive. This development has led American movie producers to seriously consider locations at home in an effort to curtail their costs.

Alert state lawmakers deftly stepped into this fortuitous set of circumstances and quickly devised a range of incentives to further reinforce the likelihood that these movies would be made in the United States.

Led by the incentives introduced by Louisiana in 2002, a development that has resulted in the state now being referred to as Hollywood South, states in every part of the country offer a range of tax incentives and other benefits to lure filmmakers to operate within their borders. New Mexico, led by former Gov. Bill Richardson, is another state that saw the movie industry as a potential revenue generator and worked aggressively to market itself as a viable alternative to film producers.

Six Primary Incentives

The financial incentives offered by states to attract the movie industry have centered on the following six general areas:

- **Sales and Use Taxes:** Money spent within a state on goods and services by filmmakers are subject to state and local sales taxes. These taxes may be waived as part of the incentive package provided by a state. Generally, this is accomplished by providing the production company a state-certified coupon that waives sales tax at the point of sale, or the state may refund the sales tax after filmmakers submit expense reports breaking down the qualified expenditures.

- **Hotel Taxes:** Waiving the hotel tax for qualifying stays by filmmakers. Given that all out-of-state labor—or even out-of-area labor—requires overnight stays in area hotels, this benefit is a further incentive to filmmakers contemplating bringing in out-of-area labor. While a qualifying stay generally involves at least 30 days of consecutive nights, the tax credit or rebate is applied either to the total stay, or to all nights past the required minimum. This incentive is particularly attractive to feature filmmakers working in a location for extended periods.
- **Labor Taxes:** Subsidizing the cost of in-state labor. This incentive generally takes the form of a tax credit for a portion of the in-state labor costs. States provide this incentive so filmmakers hire local, rather than out-of-state.
- **Investment Credits:** This category includes some of the most generous incentives offered by states and enables filmmakers to recoup some of the costs of investing in the film's infrastructure.
- **Flat Rebate or Credit:** A blend of several incentives. For instance, states might provide a flat rebate or credit as a percentage of all spending that occurs in a state, such as labor, hotels, retail, investment and other qualifying expenditures.
- **Fee-Free Filming:** Many states provide state parks, municipal and state buildings, and other public property available, to filmmakers' free-of-charge. In certain settings, the state might also arrange for public employees, such as the police, to be available free of any charges.

Revenues and Jobs

The motion picture industry represents an economic engine that creates billions of dollars in positive economic flows and hundreds of thousands of jobs in practically every corner of America.

According to the latest 2007 economic impact report released by the Motion Picture Association of America (MPAA), the trade association of the American film industry, the motion picture and television production industries

- contribute \$60.4 billion to the U.S. economy;

- create jobs for more than 1.3 million Americans; and
- generate \$10 billion in income and sales taxes that translates into an estimated \$200,000 a day pouring into the coffers of the local governments in cities and towns across the United States.

At a time when America's trade deficit has soared to unprecedented heights, the motion picture industry maintains a positive, or surplus, balance of trade with the rest of the world, estimated at \$9.5 billion.

The Tourism Factor

Beyond the tremendous economic benefits associated with promoting the movie industry, state policymakers are also motivated by such additional benefits as the positive media attention and publicity for the state.

Then, the "tourism factor," or instances where movie locations have been transformed into major tourist attractions long after the filming of the movie, remains a motivating factor. For instance, tourists still travel to and eat pizza at Mystic Pizza because of the 1988 film by that name that starred Julia Roberts in Mystic, Conn.

In Georgia, tourists regularly travel to The Whistle Stop Cafe in Juliette, some 50 miles south of Atlanta, scene of the movie "Fried Green Tomatoes," more than 15 years after the movie was released. In North Carolina, the train wreck set from the scene of the 1993 film "The Fugitive" starring Harrison Ford is still a popular tourist attraction in Dillsboro.

Perhaps the most well-known example of a successful recent film converting its filming location to a huge tourist destination is the movie "Sideways" and Santa Barbara County, Calif.

Policymakers have also moved toward treating movie production companies as a growth industry akin to other major economic development projects with the opportunity to provide jobs for dozens of electricians, carpenters, make-up artists, camera crew and other workers who potentially make as much as \$350 a day.

And the opportunity to promote an industry that generates hundreds of millions of dollars with minimal negative environmental impacts remains another reason for promoting the industry at the state level.

Huge Economic Impact

The economic impact numbers for states in CSG's Southern Legislative Conference are staggering. In Louisiana, the state held up as the leader in the current wave of states establishing incentive packages, the estimated total output of the film industry—direct, indirect and induced outputs—has soared from \$22.1 million in 2002, to \$390.5 million in 2003, to \$721.1 million in 2004, to \$1 billion in 2005.

Another noteworthy achievement is that Louisiana currently ranks third in the number of films produced in the country behind California and New York, a ranking achieved as a result of the incentive package now in place.

In North Carolina, over a 25-year span from 1980 to 2005, the industry has created more than \$7 billion in revenues for local economies across the state. Georgia is another SLC state where, in 2006, 291 films and videos were produced with a direct value of \$251.1 million, with a total economic impact of \$448.3 million.

Filmmaking in Maryland hit record levels in fiscal year 2006, generating a \$158 million economic impact and more than doubling the prior year's total of \$66.3 million. Virginia's governor, in June 2006, announced that the state's film and video industry's 1,800 projects in 2005 had a direct economic impact of \$221.1 million, the highest ever reported and a 14 percent increase over the previous year.

As states continue to enact measures that attract the film industry, it remains to be seen how effective they will be in enhancing the more value-added aspects of the production process, particularly post-production activities, within their own borders. Continually enhancing these value-added processes will be critical in ensuring that states secure high-tech, high-wage jobs, which will reinforce America's competitive advantage in this rapidly changing and global industry.

—Sujit M. CanagaRetna is senior fiscal analyst with The Council of State Governments' Southern office, the Southern Legislative Conference. This article is based on his report "Lights! Camera! Action! Southern States Efforts to Attract Filmmakers's Business" available at <http://www.slcatlanta.org/Publications/EconDev/LightsCameraAction.pdf> or e-mail scanagaretna@cs.org.

Feature

TOP 10 DOMESTIC AND INTERNATIONAL

By John Law

Singapore boat quay historic quarters

Imagine this: you're a producer with a go project that isn't location-specific. You could shoot it anywhere in the world, but you're looking for the best tax incentives that will have an impact on your bottom line. Where do you go? Here is our list of the Top 10 destinations – both international and domestic – offering filmmakers the biggest tax breaks in the world.

INTERNATIONAL

UK

The year 2006 was the UK's second best year ever, with £842 million (\$1.7 billion) of production spend on 134 films, a jump of almost 50 percent from 2005. The reason why these productions come to the UK is no secret, notes Tina McFarling of the **UK Film Council**. "The UK offers a phenomenal skills and talent base working in front of and, just as importantly, behind the camera, a servicing capacity to accommodate several major films at once, a rich diversity of locations and a new, competitive film tax relief," she reports. "We also have a number of new

co-production treaties with other countries. Our new tax relief, which came into effect at the beginning of the year, is cleaner and simpler than the last and is designed especially for filmmakers, with the benefit going direct to them. It makes the UK extremely competitive. With two rates of tax relief for low budget and high budget films returning 25 percent and 20 percent (maximum) of UK spend to the filmmaker, it is a good deal."

For more information on filming in the UK, details about the new tax relief for film and UK co-production treaties with other countries, see: www.ukfilmcouncil.org.uk/filmmaking/filmingUK/taxrelief/film/

SINGAPORE

Backed by a \$10 million fund, the **Singapore Tourism Board's Film in Singapore Scheme** is aimed at encouraging leading international filmmakers and broadcasters to shoot and produce movies, television programs and music videos in Singapore. The scheme will subsidize up to 50 percent of the qualifying expenses incurred by international film companies during their produc-

tion in Singapore. The Singapore Tourism Board also assists in facilitating the on-ground logistics requirements and application for filming permits, working closely with the relevant government agencies and industry partners. Cassandra Tay, director of communications for the Media Development Authority of Singapore, reports that the MDA has made significant strides in growing Singapore's media industry. Today, Singapore is one of the very few countries in the world to have developed a concerted and comprehensive ecosystem comprising various funding schemes, co-production initiatives, assistance in location services and international marketing efforts to grow the media industry. One new scheme, the Digital Content Development Scheme, provides seed funding to animation and games projects to encourage the development of pilots for original animated TV series, trailers for animated feature films and playable game demos for original computer, console and mobile games. This scheme is open to Singapore-registered companies.

For more information on the Film in Singapore Scheme, please visit www.stb.gov.sg.

REPUBLIC OF KOREA

The Seoul Film Commission's Film Production Support Program started in 2007 and the Seoul Film Commission provides grants for foreign production companies shooting on location or producing a movie in Seoul. The amount of the grants will be up to 25 percent of the portion of the production budget spent within Seoul and may not exceed \$100,000 per production. The applicant must be the producer of the film with shooting scenes in Seoul and there is no restriction on the applicant's nationality. Furthermore, production companies scouting shooting locations in Seoul are supported with free air tickets to the city and accommodations in Seoul. The Seoul Film Commission provides round-trip airline tickets for two people (economy class) and accommodations cost for Seoul location scouting for three nights (100 US\$ per day / per person) and logistical services of a domestic location coordinator to selected foreign producers. Any foreign director, assistant director, producer, director of photography, or location manager is eligible to apply.

Detailed information about the programs as well as the applications forms are available at the website; www.seoulfc.or.kr

TRINIDAD & TOBAGO

The **Trinidad & Tobago Film Company** has recently introduced a film rebate and incentive program. The program was implemented to increase the level of investment in the Trinidad and Tobago film industry. The rebate is designed to ensure that Trinidad and Tobago remains competitive in attracting a greater number of productions. The "Production Expenditure Rebate Program" provides cash rebates of up to 30 percent for expenditure accrued while filming on location. Located at the first end of the Caribbean archipelago, Trinidad & Tobago is possibly the region's best-kept secret. The two islands present unique contrasts with Trinidad's exuberant, cosmopolitan style, complemented by Tobago's quiet charm and soulful simplicity. Pristine coastlines, rainforests, mountains, savannas, quaint fishing villages, multi-cultural sites, and a variety of architectural styles offer productions a wide scope of filming backdrops.

Email: info@filmtrnt.com

MANITOBA

Manitoba offers a labor based tax credit of up to 55 percent on eligible Manitoba salaries and there is a base tax credit of 45 percent, plus two additional eligible bonuses; a 5 percent rural bonus and a 5 percent frequent-filmer bonus.

According to Sebastian Nasse, the tax credit analyst for **Manitoba Film & Sound**, the financial incentive is structured so that any producer can access the extra five percent bonus by running their tax credits through a service-production company that has the frequent-filmer status or by co-venturing with a production company that has current frequent-filmer status. Other options include bundling their top tax credit of

55 percent with the 16 percent Federal Film and Video Production Services tax credit. Even better, bundle their top tax credit of 55 percent with the 25 percent Federal Canadian Film or Video Production tax credit.

Nasse notes that Manitoba is considered the leader in tax credits because there are no content requirements, copyright ownership requirements, co-production requirements, funding caps per production or per production company. Hence, the higher your Manitoba labor expenditures, the higher your tax credit will be. Finally, there

are no available caps on annual funds; Manitoba's financial incentives are a rebate, not a finite fund, meaning that you'll never have to wait for a new fiscal year to apply for the rebate. There is also no minimum or maximum budget requirement and no "first time producer" requirement. Nasse adds that Manitoba pioneered the first frequent-filmer bonus in the world to reward repeat business, and has one of Canada's longest running tax-credits which was once again renewed until 2011. If there isn't a Manitoban who is qualified available or willing (as approved by local labor

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organizations), a deeming provision exists to bring in Non-Manitoban crew and count their salary as local for the purposes of the tax credit.
www.mbfilmsound.mb.ca

DOMESTIC

MISSISSIPPI

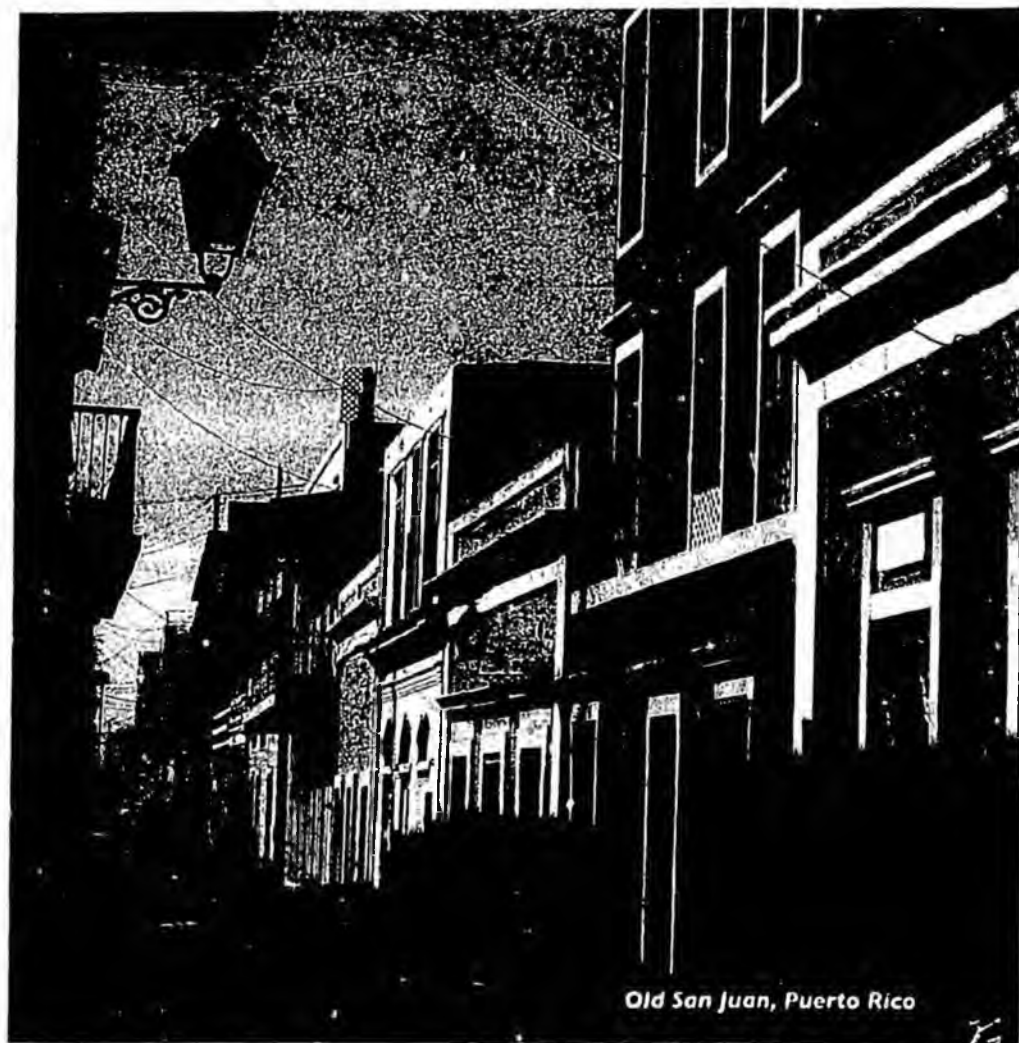
The state's new 2007 incentive program created a 20-30 percent rebate on a production's local spend, including local payroll, and a 10 percent rebate on the wages of non-resident cast and crew whose salaries are subject to Mississippi withholding taxes. There is an additional seven percent sales tax exemption on a long list of production items, and a 5½ percent tax reduction on production equipment. "There is a \$5 million per project rebate cap (approximately \$17.6 in local spend), and no annual cap, and there is no minimum spend, as we wanted to support small budget production: short films, documentaries, and commercials," reports Ward Emling of the **Mississippi Film Office**. "We have worked with the Mississippi State Tax Commission to create a clear and straightforward incentive program. The production applies to the Film Office, we validate the application through the Mississippi Development Authority, and the Tax Commission handles the audit and rebate process. From the moment of authorization by MDA, the application is active and valid. The Tax Commission will require a simple budget run: vendor information, item or service, and expenditure. We hope to reduce the time to rebate to 30 days."

NEW MEXICO

With a 25 percent tax rebate, Film Investment Loan and Film Crew Advancement Program, New Mexico offers the most comprehensive incentive package in the country. The 25 percent tax rebate is simple, has no minimum spend requirement, no cap per project per year and no sunset clause. Video games and stand-alone post also qualify. The unique loan program offers zero percent loans from \$2 to \$15 million dollars with backend participation. New Mexico also offers a 50 percent wage reimbursement for on-the-job training of residents who are moved up into advanced BTL positions. In addition to incentives, New Mexico has an exceptional and extensive crew base, dozens of dedicated industry vendors, over 300 days of sunshine, four temperate seasons, awe-inspiring locations, a green filmmaking program, over 50,000 photos on their searchable location database, infrastructure including stages from 2,000 to 48,000 square feet, film friendly communities and locations throughout the state, 22 Native American tribes, and a film office willing to jump through rings of fire.

PUERTO RICO

Cristina Caraballo of the Puerto Rico Film Office reports that, "Our incentives for the production of series, miniseries, films and Latin soap operas are the highest anywhere in the world



Old San Juan, Puerto Rico

and unique in the Latin production market. These incentives, combined with our first class infrastructure, same US commercial and banking laws, and no trade barriers with the US, same currency, labor subsidies, local talent, and fiscal autonomy (no federal taxes) make Puerto Rico an ideal destination for many productions."

The 40 percent is an incentive calculated on expenditures (40 percent on the in-spend) given in the form of a transferable tax credit. It has, as a base, the Puerto Rico spend: equipment, crew, actors, travel (if through a local travel agency), hotels, stage ground rental, etc. Above and below the line, development, pre-production, produc-

tion and post production are included. The only requirements are that the payment has to be made to either a PR Company, or a PR resident and at least 50 percent of principal photography has to be shot in Puerto Rico. "This program does not have a nationality requirement," adds Caraballo. "Through the law you can advance 50 percent of the estimated rebate before shooting. Our experience is that the rebate will net, after transaction costs, about 35 percent of the in-spend."

Puerto Rico Film Commission

Cristina Caraballo
ccaraballo@puertoricofilm.com

Best Place to Film - 1 Hour from NYC

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CONNECTICUT

George Norfleet of the **Connecticut Commission on Culture and Tourism** reports that, "There is a \$50,000 threshold for spending. If you have a film production company, you're in this state and you spend a minimum of \$50,000 on eligible expenses – and those would be things that generate a tax in Connecticut – then you qualify for our 30 percent tax credit program. Ninety days after your first spend in the state, you need to file for an eligibility certificate, and ninety days after your last spend in Connecticut you need to apply for your tax credit. You'll have to supply information about your spending and with what vendors, and then we will vet that and determine your tax credit." The state's current tax breaks went into force last year and Norfleet says that they have been "a huge success, with lots of large production companies coming here and spending money that is unprecedented in the state."

For more tax break details visit www.cultureandtourism.org and the film division section

LOUISIANA

Louisiana now offers a 25 percent tax credit, which is earned on in-state expenditures and an additional 10 percent on Louisiana payroll. "We also offer a 40 percent tax credit on expenditures for qualifying infrastructure projects," says

Chris Stelly, director of film and television for the **Office of Entertainment Development of Louisiana Economic Development**.

"As a result of our incentive program, we have seen approximately \$610 million in total production budgets for calendar year 2005 and so far for 2006 nearly \$610 million in total production. The 2006 numbers are still coming in as productions are finalizing their audits and we expect that number to increase. Also, it should be noted that our program changed a bit on January 1, 2006, which explains the decrease in production numbers. For calendar year 2007, we have \$502 million in total anticipated budgets that have applied for certification with approximately \$374 million being spent in Louisiana."

There were only 10 spots to fill for both domestic and international rankings. Although Massachusetts ranked number four in July's *Top 10 U.S. locations* and offers filmmakers who either shoot at least half their film or spend at least half their production budget, and Rhode Island ranked number three and offers a transferable income tax credit equal to 25 percent of any spend in the state, the 10 that made it on this list slightly overshadowed these two by offering higher amounts or rebates rather than credits. However, we felt that it was important to note what these two states have to offer. ☺

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States with Tradeable Film Tax Credits

Arizona		Massachusetts
Connecticut		Missouri
Georgia		New Jersey
Illinois		Pennsylvania
Iowa		Puerto Rico
Louisiana		Rhode Island

Click On State For Info

[View Our State By State Comparison Chart](#)

TRADABLE TAX CREDITS: STATE-to-STATE COMPARISON (Updated 08-09-2007)

STATE	INCENTIVE TYPE	% CREDIT	PROGRAM SIZE	CARRYFORWARD	LIMITATION	RECOURSE BUYER	ALLOWABLE TAXES	LAW WEB ADDRESS & RELEVANT CHAPTER/TITLE
ARIZONA	FILM	10-20% <small>(determined based on budget)</small>	\$40 MILLION <small>cap at \$70 million by 2010 (unless for rule per yr.)</small>	5 YEARS	100%	NO <small>See NOTE 1</small>	CORPORATE, INDIVIDUAL	http://www.nrlaw.state.ar.us/fin/incentives/index.htm Title 43, Indiv. Income Tax (Ch. 10) and Corp. Income Tax (Ch. 11)
CONNECTICUT	FILM <small>5%</small>	30%	UNLIMITED	3 YEARS	100%	NO <small>See NOTE 1</small>	CORPORATE, INDIVIDUAL	http://www.cga.ct.gov/2007/ACT/PA/2007PA-00235-R00HB-06500-PA.htm Public Act 07-235
GEORGIA	FILM	9% to 12% <small>labor dependent</small>	UNLIMITED	5 YEARS	100%	YES	CORPORATE, INDIVIDUAL	http://www.taxcreditllc.com/GA-Law.pdf Corp, Individual and wh, 48-2-12 and 48-7-40.28
ILLINOIS	FILM	20% production	UNLIMITED	5 YEARS	100%	NO <small>See NOTE 1</small>	CORPORATE, INDIVIDUAL	www.revenue.state.il.us/faq/faq2Prnt100Index.html Chapter 201 sections A and B
IOWA	FILM	25%	TBD	TBD	TBD	TBD	ALL TAXPAYERS	http://www.taxcreditllc.com/IA-Law.pdf
LOUISIANA	FILM	20% to 25%	UNLIMITED	10 YEARS	100%	NO	CORPORATE, FIDUCIARY, FRANCHISE, INDIVIDUAL	http://www.lafilm.org/ordinance/lorc/00_6292005%20Film%20Incentive%20Act%20
MASSACHUSETTS	FILM	25%	UNLIMITED	5 YEARS	100%	NO <small>See NOTE 1</small>	ALL TAXPAYERS	http://www.taxcreditllc.com/MA-Law.pdf Chapter 62 and 63
MISSOURI	FILM	35%	\$10.5 MILLION	5 YEARS	100%	NO <small>See NOTE 1</small>	CORPORATE	http://www.mona.state.mo.us/statute/G100-199135000750.htm Chapter 143 (excluding 143.191 - 143.261) and Chapter 148
NEW JERSEY	FILM	20%	\$10 MILLION	7 YEARS	50%	NO <small>See NOTE 2</small>	CORPORATE	http://leg.state.nj.us P.L. 1945 - 167/C-54 (O.A. 1 at end) Waiting Governor Signature to increase cap to 30 Million
PENNSYLVANIA	FILM	25%	\$75 MILLION	NO	50%	NO <small>See NOTE 1</small>	CORPORATE	http://www.taxcreditllc.com/PA-Law.pdf
PUERTO RICO	FILM	40%	\$15 MILLION	5 YEARS	100%	NO	CORPORATE	http://www.taxcreditllc.com/PR-Law.pdf
RHODE ISLAND	FILM	25%	UNLIMITED	3 YEARS	100%	YES	CORPORATE, INDIVIDUAL, PREMIUM	http://www.rli.state.ri.us/statutes/TITLE%20INDEX.HTM RI General Laws Title 44, Chapter: 11, 14, 17, 20

NOTE 1: CPA audited financials must be provided by production company

NOTE 2: Proposed bill awaiting Governor's signature

2/22/08

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Bill would give filmmakers incentive to shoot here

HOLLYWOOD'S COLD SHOULDER

By WESLEY LOY

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(02/22/08 00:10:02)

JUNEAU -- No place in the world is more photogenic than Alaska, yet the state is blowing the scene when it comes to attracting a film industry potentially worth millions to the local economy, a state lawmaker says.

That's why Sen. Johnny Ellis, D-Anchorage, is sponsoring legislation to try to lure movie producers and their dollars -- and halt what he calls an appalling trend of pictures set in Alaska being shot in places like British Columbia and Louisiana.

Senate Bill 230 would grant state corporate income tax breaks of 30 percent or more against amounts producers spend within the state making movies. The bill is scheduled for a 9 a.m. hearing today before the powerful Senate Finance Committee.

Lots of other states offer such incentives to get the cameras rolling, and Alaska is losing out on an opportunity to create jobs and sales for local vendors, said Ellis, the Senate majority leader.

"If I've heard it once I've heard it a thousand times in this Legislature: What we need to do is diversify our economy," he said.

To Ellis and supporters of his bill, it's ridiculous that movies purportedly set in Alaska such as Kevin Costner's Coast Guard rescue drama "The Guardian" and last year's Arctic vampire thriller "30 Days of Night" were filmed not in Kodiak or Barrow, where they were set, but mostly in Louisiana and New Zealand.

For filmmakers to shoot more than just scenery or "establishment" shots in Alaska, the state must match business incentives other places offer to the film industry, bill supporters say.

Alaska is one of only five states without some sort of an industry incentive program despite its picture-perfect tidewater glaciers and majestic mountains, Ellis said.

And other states such as Texas and New Mexico have film offices with up to 11 employees and million-dollar budgets, while Alaska's film office has dwindled to one employee who spends only a quarter of her time fielding questions from the industry, according to research Ellis has pulled together.

The tax breaks his bill would offer wouldn't benefit filmmakers directly. That's because producers typically set up limited liability companies for each project, and these LLCs don't pay corporate income tax in Alaska.

So the bill provides that filmmakers could sell their credits to any Alaska firm with a corporate income tax liability. Here's how it would work: Blockbuster LLC receives a \$1 million tax credit from the state for its local costs to build sets, pay actors and haul cameras to locations. The company

sells its credit for 90 cents on the dollar, netting \$900,000.

Lots of other places have figured out that such incentives can effectively attract some of the billions of dollars movie and TV producers spend annually, Ellis said.

Veteran players in Alaska's small movie-support industry endorse the senator's bill. They're sure it'll work to attract movie spending.

"We think this industry is just going to rocket because of this tax incentive," said Bob Crockett, an Anchorage location scout who is part of a trade association called the Alaska Film Group.

He said studio people in Hollywood tell him it's no longer location that draws producers, it's the cost environment.

Alaska has "an allure, a mystique" that appeals to script writers and filmmakers, said Deborah Schildt, who runs an Anchorage film support company.

"But sadly, they use that mystique and shoot somewhere else," she said. "We really want Alaska to be on the map. We're like an uncut gem, you know?"

Not everyone thinks SB 230 deserves an Oscar.

"This is a film industry subsidy bill," said Sen. Con Bunde, R-Anchorage.

It vexes him that filmmakers who wouldn't owe corporate income taxes in Alaska could nevertheless receive tax credits. And he notes that state officials estimate it would cost about \$300,000 a year to run a film office with staffers to "jet around and rub elbows with film moguls."

Plus, he said, the tax breaks would cost the state an unknown amount in lost tax revenue.

Bunde said he also believes the bill's impact might be overstated because Alaska would remain a tough sell for Hollywood filmmakers with its long and expensive plane rides and harsh weather.

As for subsidies, Ellis argues the state gives tax breaks to another rich industry, oil and gas, to try to spur more in-state investment.

Bunde and Ellis agree on one thing, however: Both believe SB 230 has broad appeal in the Legislature and stands a good chance of passage.

Find Wesley Loy online at adn.com/contact/wloy or call him in Juneau at 907-586-1531.

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