

**SB**

**230**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

Fiscal Note Number: 3  
Bill Version: CSSSSB 230(FIN)  
(S) Publish Date: 2/29/08

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 Eilis, Stevens, 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
<b>OPERATING EXPENDITURES</b>							
Personal Services	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
Contractual	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
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**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
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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 Skelton, 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 # 3

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

BILL NO. CSSSSB 230(FIN)

### 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.

# FISCAL NOTE

**2008 LEGISLATIVE SESSION**

Fiscal Note Number: 4  
 Bill Version: CSSSSB 230(FIN)  
 (S) Publish Date: 2/29/08

Identifier (file name): SB230SSCS(FIN)-CED-OED-02-28-08 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>								
Personal Services	150.0	25.0	175.0	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	23.0
Contractual	100.0	5.0	105.0	105.0	105.0	105.0	105.0	105.0
Supplies	5.0		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	15.0
Land & Structures								
Grants & Claims								
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>290.0</b>	<b>33.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( 1004 )</b>	**	**	**	**	**	**	**	**
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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	323.0
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>290.0</b>	<b>33.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>	<b>323.0</b>

Estimate of any current year (FY2008) cost: 00

**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 \$100.0 within a 24 month period. There would be no maximum amount of credit that can be taken. The tax credit provisions sunset on July 1, 2013.

Prepared by: Jan Austerman, Manager  
 Division: Office of Economic Development  
 Approved by: Erin R. Noff, Commissioner  
Commerce, Community, and Economic Development

Phone: 907 269 4568  
 Date/Time: 2/28/08 5:50 PM  
 Date: 2/28/2008

FISCAL NOTE # 4

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

BILL NO. CSSSSB 230(FIN)

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. As specified in the legislation, the Commissioner of the Department will consider the recommendations of the Alaska Film Group in the selection process. 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.

*Adopted*

*5/7/08*

AMENDMENT 1

OFFERED IN THE HOUSE

BY REPRESENTATIVE MEYER

TO: HCS CS SS SB 230 ( ), Version 25-LS1275\F

- 1 Page 3, line 10
- 2 After "that"
- 3 Delete "the award of a tax credit to"
- 4
- 5 Page 3, line 13
- 6 After "whether"
- 7 Delete "the award of a tax credit to"
- 8
- 9
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- 24

CA Hawker AMENDMENT 2

5/7/08

ev

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CSSSSB 230 ( ), Version 25-LS1275\F

1 Page 9, lines 10-12

2 Delete all material

3 Insert "NOTIFICATION: When the combined amount of tax credits issued and the  
4 estimated amount of tax credits that can be claimed in the future based on notices of  
5 qualifications that have been issued equals \$150,000,000 the commissioner shall notify the  
6 presiding officers of each house of the legislature and the revisor of statutes in writing"

7

*Adopted*

~~WITHDRAWN~~

AMENDMENT 3

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: HCS CSSSSB 230 ( ), Version 25-LS1275\F

Am #3, part 2

1-3, 9-11

- 1 Page 2, line 8, following "exceed"
- 2 Delete "\$150,000,000"
- 3 Insert "\$50,000,000"
- 4
- 5 Page 4, line 19, following "equal to"
- 6 Delete "30"
- 7 Insert "20"
- 8
- 9 Page 9, line 11, following "equals"
- 10 Delete "\$150,000,000"
- 11 Insert "\$50,000,000"
- 12

17, 23 TO CAP FOR TICS

Am #3 part 1, 5-7

Failed 4/7/08 5/4  
Chenault  
25%

*[Signature]*

Am. #to Am, pt 2 passes  
to 100 million  
cap

Am. 3, part 2 as amended  
Passed 5/4

## 2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 4/7/08

Amendment: #3, Part 1 25%  
SB 230

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
THOMAS	X	
CRAWFORD		X
FOSTER		
GARA		X
HAWKER	X	
JOULE		X
KELLY		
NELSON		X
STOLTZE		X
CHENAULT	X	
MEYER	X	

Yea 4

Nay 5

# 2007 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 4/7/08

Amendment: Amd. # 3, part 2  
Amend 1, \$100 million cap

MEMBER

Favor

Oppose

CRAWFORD		X
FOSTER		
GARA		X
HAWKER	X	
JOULE		X
KELLY		
NELSON		X
STOLTZE	X	
THOMAS	X	
CHENAULT	X	
MEYER	X	

*Passes*

Yea 5

Nay 4

# 2007 HOUSE FINANCE COMMITTEE VOTE SHEET

*passed*

DATE: 4/7/08

Amendment: Amendment to  
#230 Amendment #3, part 2

MEMBER

Favor

Oppose

FOSTER		
GARA		X
HAWKER	X	
JOULE		X
KELLY		
NELSON		X
STOLTZE	X	
THOMAS	X	
CRAWFORD		X
MEYER	X	
CHENAULT	X	

Yea 5

Nay 4

Deleted

Hawker + Gara #4

5/7/08

Conceptual Assessment \_\_\_\_\_

P. 7 line 14 - Delete all languages  
and re-number or  
~~re-number~~ or re-letter accordingly.

*Amended on pg 7 Adopted 5/07/08*

25-LS1275\F  
Bullard  
4/6/08

**HOUSE CS FOR 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**

**REPRESENTATIVES Kerttula, Buch, Olson, Ramras, Gardner, Gara**

**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  
15 portion of the credit not used may be used at a later period or transferred under (b) of

1 this section.

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

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

7 (f) The number of tax credits provided in the aggregate under this section may  
8 not exceed \$150,000,000.

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

10 **Article 2A. Film Office.**

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

13 (1) cooperate with organizations in the private sector for the expansion  
14 and development of film production industries in the state;

15 (2) promote Alaska as an appropriate location for film production;

16 (3) provide production assistance through connecting film directors,  
17 makers, and producers with Alaska location scouts and contractors, including  
18 contractors providing assistance with permit applications;

19 (4) certify Alaska film production internship training programs and  
20 promote the employment of program interns by eligible productions; and

21 (5) in cooperation with the Department of Revenue, administer the  
22 Alaska film production incentive program.

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

26 (1) the number of applications received under AS 44.33.234;

27 (2) the number of applications approved by the film office; and

28 (3) the number of, and amount of, tax credits disbursed under  
29 AS 44.33.232.

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

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

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

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

10                   (2) film office determines that the award of a tax credit to the  
11 production is not contrary to the best interests of the state; and

12                   (3) production is approved by the film office.

13           (b) In determining under (a) of this section whether the award of a tax credit to  
14 a production is not contrary to the best interests of the state, the film office may  
15 consider

16                   (1) the effect of the production on both the immediate and long-term  
17 prospects for the film industry in Alaska;

18                   (2) the effect of the production on the employment of Alaska residents;  
19 and

20                   (3) the effect of the production on the economy of the state.

21           (c) The following productions are not eligible, regardless of the production  
22 costs:

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

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

26                   (3) an advertisement, infomercial, or any other production that solicits  
27 funds, except for a commercial television advertisement produced for national  
28 distribution;

29                   (4) a political advertisement; or

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

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

- 5                   (1) a script or synopsis of the production;
- 6                   (2) the names of the producer, director, and proposed cast;
- 7                   (3) estimated start, completion, and filming dates; and
- 8                   (4) other information the film office may require to determine the  
9 producer's eligibility for a credit and the estimated amount of the credit.

10           (b) If the film office approves an application submitted under (a) of this  
11 section, the film office shall issue a notice of qualification to the producer. The notice  
12 of qualification must include a determination by the film office of the estimated film  
13 production tax credit for which the production qualifies.

14           **Sec. 44.33.235. Award of film production tax credit.** (a) Subject to  
15 AS 43.98.030(f), the film office, in cooperation with the Department of Revenue, shall  
16 determine the amount of the tax credit under AS 43.98.030 available to a producer  
17 who has obtained a notice of qualification under AS 43.33.234(b), based on the  
18 qualified expenditures of the production under AS 44.33.236.

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

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

- 23                   (1) an additional 10 percent of qualified expenditures that are wages  
24 paid to Alaska residents;
- 25                   (2) an additional two percent of qualified expenditures made in a rural  
26 area; and
- 27                   (3) an additional two percent of qualified expenditures made in the  
28 state between October 1 and March 30.

29           (d) After completion of the production, the producer shall provide the film  
30 office with a production cost report detailing the qualified expenditures of the  
31 production, with verification by an independent certified public accountant approved

1 by the film office that the costs claimed in the report are qualified expenditures under  
2 AS 44.33.236.

3 (e) Subject to (g) of this section, the film office, in cooperation with the  
4 Department of Revenue, shall determine the amount of the tax credit based on the  
5 information provided by the producer under (d) of this section and shall award a tax  
6 credit in cooperation with the Department of Revenue under AS 43.98.030 if the  
7 producer has satisfied all requirements under AS 44.33.231 - 44.33.239.

8 (f) The award of a tax credit under this section is conditioned on the  
9 producer's and the production's full compliance with all applicable state laws and  
10 regulations. At the request of the film office, a producer shall provide any information  
11 necessary for the film office to determine the producer's and production's compliance  
12 with this subsection.

13 (g) In determining the amount of a tax credit awarded under this section, the  
14 film office may reduce the amount of the tax credit by any amount the film office  
15 considers necessary to allow the state, or a political subdivision of the state, to recover  
16 the cost of any damages caused by any act or omission of the producer or production.

17 (h) The film office, in cooperation with the Department of Revenue, may  
18 withhold the award of a tax credit under this section if the office determines that there  
19 are filed, but unresolved, legal actions in the state involving the producer or  
20 production.

21 **Sec. 44.33.236. Determination of qualified expenditures.** (a) Expenditures  
22 made by a production company in connection with a film production approved by the  
23 film office that shall be considered qualified expenditures must be directly related to  
24 the production and be incurred in the state. Only expenditures that are ordinary,  
25 reasonable, and not in excess of fair market value and that are for real or tangible  
26 property, fees, services, or state or municipal taxes shall be considered. Expenditures  
27 may include

- 28 (1) costs of set construction and operation;  
29 (2) costs of wardrobes, make-up, accessories, and related services;  
30 (3) costs associated with photography and sound synchronization;  
31 (4) costs of lighting and related services and materials;

- 1 (5) costs of editing and related services;
- 2 (6) rental of facilities and equipment;
- 3 (7) leasing of vehicles;
- 4 (8) costs of food and lodging;
- 5 (9) costs of digital or tape editing, film processing, transfer of film to
- 6 tape or digital format, sound mixing, and special and visual effects;
- 7 (10) the total aggregate payroll for services performed in Alaska,
- 8 including all salaries, wages, compensation, and related benefits provided to
- 9 producers, directors, writers, actors, and other personnel that are directly attributable
- 10 to services performed in Alaska;
- 11 (11) the costs of the use of an Alaska business for processing qualified
- 12 payroll and related expenditures;
- 13 (12) costs of music, if performed, composed, or recorded by an Alaska
- 14 musician, or released or published by an Alaska business;
- 15 (13) costs of intrastate travel, if provided by an Alaska business;
- 16 (14) costs relating to the design, construction, improvement, or repair
- 17 of a film, video, television, or digital production or postproduction facility or related
- 18 property, infrastructure, or equipment, except commercial exhibition facilities, as
- 19 determined by the film office;
- 20 (15) costs of state or municipal taxes levied in Alaska on the lease or
- 21 rental of passenger or recreational vehicles or the rental of rooms or other lodging; or
- 22 (16) other similar production expenditures as determined by the film
- 23 office in cooperation with the Department of Revenue.
- 24 (b) Production costs that may not be considered qualified expenditures include
- 25 (1) costs related to the acquisition, determination, transfer, or use of a
- 26 film production tax credit under AS 43.98.030;
- 27 (2) postproduction expenditures for marketing and distribution;
- 28 (3) production financing, depreciation, and amortization costs, and
- 29 other costs that are not cash or cash equivalent expenditures directly attributable to
- 30 production costs incurred in the state;
- 31 (4) amounts that are later reimbursed or reasonably anticipated to be

1 reimbursed, resulting in a reduction in production costs;

2 (5) amounts that are reasonably anticipated to be recovered through  
3 subsequent sale or other realization of value by disposal of an asset that has been  
4 claimed as a qualified expenditure;

5 (6) amounts that are paid to a person or entity as a result of  
6 participation in profits from the exploitation of the production;

7 (7) costs incurred in the purchase of real or tangible property for which  
8 a qualified expenditure has, at any time, been claimed.

9 **Sec. 44.33.237. Review of film production tax credit.** (a) The film office, in  
10 cooperation with the Department of Revenue, may review, audit, and bring legal  
11 proceedings to recover any amount of a tax credit awarded under AS 44.33.235 from a  
12 producer or production to which a credit was awarded if the film office determines  
13 that the film producer or production

14 *Delete* (1) did not comply with all applicable state laws and regulations; or ]  
15 (2) is liable for damages to the state or any political subdivision of the  
16 state.

17 (b) Legal proceedings may not be brought under (a) of this section more than  
18 one year after the date the tax credit was awarded under AS 44.33.235.

19 **Sec. 44.33.238. Regulations.** The film office, in cooperation with the  
20 Department of Revenue, may adopt procedures and regulations to carry out its  
21 functions under AS 44.33.231 - 44.33.239.

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

23 (1) "Alaska business" means

24 (A) a person who holds a current Alaska business license;

25 (B) a person who provides goods or services under the name as  
26 appearing on the person's current Alaska business license;

27 (C) a person who has maintained a place of business within the  
28 state staffed by the person or an employee of the person for a period of six  
29 months immediately preceding the date of the goods or services provided;

30 (D) a person who is

31 (i) incorporated or qualified to do business under the

- 1 laws of the state;
- 2 (ii) a sole proprietorship, and the proprietor is a resident
- 3 of the state;
- 4 (iii) a limited liability company organized under
- 5 AS 10.50, and all members are residents of the state; or
- 6 (iv) a partnership under former AS 32.05, AS 32.06, or
- 7 AS 32.11, and all partners are residents of the state; and
- 8 (E) a joint venture composed entirely of ventures that qualify
- 9 under (A) - (D) of this subsection;
- 10 (2) "commissioner" means the commissioner of commerce,
- 11 community, and economic development;
- 12 (3) "department" means the Department of Commerce, Community,
- 13 and Economic Development;
- 14 (4) "film" includes television, commercials, and videos;
- 15 (5) "film office" means the film office created under AS 44.33.231;
- 16 (6) "producer" means a person who arranges financing for or
- 17 supervises the production of a film, video, commercial, or television production or
- 18 pilot;
- 19 (7) "rural area" means a community with a population of 1,500 or less
- 20 or a community with a population of 5,500 or less that is not connected by road or rail
- 21 to Anchorage or Fairbanks.

22 \* 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,

23 44.33.235, 44.33.236, and 44.33.239(6) are repealed.

24 \* Sec. 4. AS 44.33.237 is repealed.

25 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to

26 read:

27 TRANSITION. (a) Subject to AS 43.98.030(f), enacted by sec. 1 of this Act, secs. 3

28 and 7 of this Act do not prevent the film office from awarding a tax credit under the

29 provisions repealed by sec. 3 of this Act to a film production that has submitted a production

30 cost report under AS 44.33.235(d), enacted by sec. 2 of this Act, before July 1, 2013.

31 (b) A film production tax credit may be used to offset taxes imposed under AS 43.20

1 (Alaska Net Income Tax Act) or sold, assigned, exchanged, conveyed, or otherwise  
2 transferred, in whole or in part, within three years after being provided by the Department of  
3 Revenue under AS 43.98.030, enacted by sec. 1 of this Act, notwithstanding the repeal of  
4 AS 43.98.030 in sec. 3 of this Act.

5 (c) A film production tax credit that is being withheld by the film office in  
6 cooperation with the Department of Revenue under AS 44.33.235(h) may continue to be  
7 withheld by the office, notwithstanding the repeal of AS 44.33.235 in sec. 3 of this Act.

8 \* Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to  
9 read:

10 NOTIFICATION. When the number of tax credits provided under AS 43.98.030(f),  
11 enacted by sec. 1 of this Act, in the aggregate equals \$150,000,000, the commissioner shall  
12 notify each house of the legislature and the revisor of statutes in writing.

13 \* Sec. 7. Section 3 of this Act takes effect on the earlier of the following:

14 (1) July 1, 2013; or

15 (2) the date of the commissioner of revenue's notification to the legislature and  
16 to the revisor of statutes that the Department of Revenue, in cooperation with the film office,  
17 has provided \$150,000,000 in transferable film production tax credits for qualified film  
18 production expenditures under AS 44.33.231 - 44.33.239, enacted by sec. 2 of this Act.

19 \* Sec. 8. Section 4 of this Act takes effect on the earlier of the following:

20 (1) July 1, 2014; or

21 (2) one year after the date of the commissioner of revenue's notification to the  
22 legislature and to the revisor of statutes that the Department of Revenue, in cooperation with  
23 the film office, has provided \$150,000,000 in transferable film production tax credits for  
24 qualified film production expenditures under AS 44.33.231 - 44.33.239, enacted by sec. 2 of  
25 this Act.

MAP IN 04/07/08 INSERT 9:34:07 - after Suzanne

Notes on Changes to SB 230 ( ) Film Office/Film Production Tax Credit  
House Finance Committee Hearing  
April 7, 2008

**Section 1:**

**AS 43.98.030 Film Production Tax Credit**

Provides that the number of tax credits provided in the aggregate may not exceed \$150 million.

**Section 2:**

**AS 44.33.231 Film Office**

Deleted the requirement for the Commissioner of DCCED to consider individuals suggested by the Alaska Film Group for appointment to the director position for the Film Office.

**AS 44.33.233 Eligibility for a Tax Credit:**

Provides that the Film Office must determine that the production is not contrary to the best interests of the state.

In making this determination, the Film Office may consider

1. The effect of the production on both immediate and long-term prospects for the film industry in Alaska;
2. The effect of the production on the employment of Alaska residents; and
3. The effect of the production on the economy of the state.

Further clarifies that productions that are advertisements, infomercials, or any other production that solicits funds is not eligible for a tax credit under AS 4398.030.

**AS 44.33.234 Qualification for Film Production Tax Credit:**

The references to "preliminary certificate" was changed to "notice of qualification"

**AS 44.33.235 Award of Film Production Tax Credit:**

The qualification of the CPA was changed from "selected by" to "approved by"

This clears up the ambiguity that the Film Office would be selecting a CPA to review a post-production audit. The language now allows the Film Office to seek out CPAs that might be interested in doing this work and will be able to provide production companies with a list of CPAs that have been approved by the Film Office.

Language was added to clarify that the Film Office, in cooperation with the Department of Revenue, will determine the amount of the tax credit based on the information provided in the audit post-production cost report.

Clarifies that the tax credit will be awarded if the producer has satisfied all of the requirements under AS 44.33.21-44.33.239.

Further provides that the award of the tax credit is conditioned on the producer's and the production full compliance with all applicable state laws and regulations. The Film

Notes on Changes to SB 230 ( ) Film Office/Film Production Tax Credit  
House Finance Committee Hearing  
April 7, 2008

Office can request for the producer to provide any further information necessary for the Film Office to determine full compliance.

Removes the provision that would disallow the Film Office from seeking recourse against a producer or a taxpayer who has required the transferable tax credit for any portion of the credit that may be disqualified.

This is addressed in the indemnity clause that was added.

**AS 44.33.236 Determination of Qualified Expenditures:**

Provides that in order for expenditures to be considered qualified expenditures, the expenditures must be directly related to the production and be incurred in the state.

Only expenditures that are ordinary, reasonable, and not in excess of fair market value and that are for real or tangible property, fees, services or state or municipal taxes shall be considered.

**Expenditures that may be considered:**

Clarified that the total aggregate payroll for services must be directly attributable to services performed in Alaska.

A more specific description was used for the costs allowed for the use of Alaska payroll business: a business for processing qualified payroll and related expenditures.

The allowance for insurance costs or bonding was removed.

Provides that the Film Office, in cooperation with the Department of Revenue, can review similar expenditures to those that are enumerated in this section and decide if they qualify.

**Expenditures That May Not Be Considered:**

Added four additional items that are not considered qualified expenditures:

1. Production financing, depreciation, and amortization costs, and other costs that are not cash or cash equivalent expenditures directly attributable to production costs incurred in the state.
2. Amounts that are later reimbursed or reasonably anticipated to be reimbursed, which would result in an overall reduction in production costs; and
3. Amounts that are anticipated to be recovered through subsequent sale or realization of value by disposal of an asset that is allowable and has been claimed as a qualified expenditure.
4. Costs incurred in the purchase of real or tangible property for which a qualified expenditure has, at any time, been claimed.

**AS 44.33.237 Review of Film Production Tax Credit**

Allows the State the right to review, audit, and subsequent disallowance and recovery if any form of non-compliance of AS 44.33.231-44.33.239 or any other state law or permit

Notes on Changes to SB 230 ( ) Film Office/Film Production Tax Credit  
House Finance Committee Hearing  
April 7, 2008

requirement. There is a statute of limitation of 1 year from the point where the credit is awarded to the production company to allow the State the right to review, audit, disallow or recover.

Allows the State to recover the cost of any damages caused by the production to the State or local government, by reducing the amount of credit awarded. This would include costs of environmental or other physical damage and from failure to comply with any law, regulation, permit, lease or other agreement.

The State can withhold the award of the tax credit certificate if there are any filed, but unresolved legal actions involving the production company.

There is further clarification that this allows the State to go back to the production company, and not the tax payer that purchases the transferable tax credit.

**AS 44.33.238 Regulations**

Provides that the Film Office, in cooperation with the Department of Revenue, may adopt regulations and procedures to carry out its functions under AS 44.33.231-44.33.239.

**AS 44.33.239 Definitions:**

A new definition for "Alaska Business" was added:

"Alaska Business" means

1. A person holds a current Alaska business license;
2. A person who provides goods or services under the name as it appears on the person's current Alaska business license;
3. A person who has maintained a place of business within the state staffed by the person or an employee of the person for a period of six months immediately preceding the date of the goods or services provided;
4. A person who is
  - a. Incorporated or qualified to do business under the laws of the state;
  - b. A sole proprietorship, and the proprietor is a resident of the state;
  - c. A limited liability company organized under AS 10.50 and all members are residents of the state; or
  - d. A partnership under former AS 32.05, AS 32.06, or AS 32.11 and all partners are residents of the state and
5. A joint venture company composed entirely of ventures that qualify under this section.

**Section 3: No Changes**

**Section 4: No Changes**

**Section 5: Notification Requirement**

Provides that when the total number of tax credits has reached \$150 million, the Commissioner of the Department of Revenue shall notify each house of the Legislature, as well as the Revisor of Statutes.

Notes on Changes to SB 230 ( ) Film Office/Film Production Tax Credit  
House Finance Committee Hearing  
April 7, 2008

**Section 6: Effective Date**

The Effective Date clause is changed to reflect the aggregate \$150 million tax credit limit.

# ALASKA STATE LEGISLATURE

Senate Labor and Commerce  
Committee, Chair

Legislative Budget and Audit  
Committee

Senate Rules Committee

Committee on Committees



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SENATOR JOHNNY ELLIS  
SENATE MAJORITY LEADER

## Sponsor Statement SB 230: 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 only be issued after the production has completed filming in Alaska and an independent audit has been completed.

The Film Office would administer the Incentive Program, provide assistance to productions interested in filming in Alaska, and certify internship programs. 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.

# ALASKA STATE LEGISLATURE

Senate Labor and Commerce  
Committee, Chair

Legislative Budget and Audit  
Committee

Senate Rules Committee

Committee on Committees



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SENATOR JOHNNY ELLIS  
SENATE MAJORITY LEADER

## MEMORANDUM

To: Representative Kurt Olson, Chair  
House Labor and Commerce Committee

From: Sen Johnny Ellis

Date: March 10<sup>th</sup>, 2008

Subject: Transferable Tax Credits

This memo describes the process by which the transferable tax credits in SB230 provide an incentive to the film industry. This process is similar to the capital and exploration credits in the recent oil valuation legislation and the capital credits for salmon products, the renewal of which is currently in front of the legislature. 12 other states, including Louisiana, Connecticut, and Massachusetts, offer transferable tax credits for film production.

- A production company submits an application for tax credits to the Film Office
  - The application must include information about the production and their spending plans
- If approved, the Film Office issues a pre-certification letter with an estimated amount of the tax credits which will be issued upon completion of the production
  - This letter can be used as collateral for loans or other financing, which provides an important cash flow for smaller, independent productions
- The production is filmed
- Upon completion of the production, the producer submits a cost report that has been verified by an independent CPA
- The Film Office issues the credit
- The producer uses the credit against its corporate income tax liability or, through a broker, markets the credit to an Alaskan corporate taxpayer
  - Prices for credits will vary, but in other states they are generally sold for around \$.90 on the dollar

On average, about 40% of the costs of a production will be spent on location. Assume a film with a total budget of \$8 million (a smaller feature film) that spends \$3 million in Alaska, including \$1 million in local payroll. That project would receive a credit worth \$1 million: 30% of the base investment for \$900,000 as well as an additional 10% on Alaska payroll for \$100,000.

82V

3/31/08

SB 230 – Film Production Tax Credit  
Conceptual Amendments: For Discussion Purposes  
March 31, 2008 Meeting

- 1) Change entire structure from the phony transferable tax credit to a direct subsidy. In the real world, these production companies will all be set up a pass thru tax entities and never pay a cent of Alaska State Income Tax.
- 2) P3 L1 – Do not limit selection of Film Office Director to candidates suggested by the "Alaska Film Group."
- 3) What is the "Alaska Film Group?" Is it guaranteed to be around as long as the statute will be? Use generic language that the Commissioner may consider candidates suggest by Alaska film industry organizations
- 4) Increase oversight of film office. Don't know how, but this is important
- 5) Make Commissioners of DCCED and DOR jointly responsible for making final decision qualifying a production for subsidy. Accountability at the top and on the third floor for these decisions is a good thing.
- 6) Bill has no provision for post production review of production work product to verify continued compliance with initial qualification
- 7) P3 L18-19 Clarify. Make it clear that National TV advertisement for commercial purposes are OK. Any production with political or fundraising motives is NOT OK.
- 8) Add a subjective eligibility criteria that requires the Commissioners to make a finding that the proposed production is in the best interests of Alaska. Or at least that it is not contrary to the best interests of Alaska.
- 9) Change "preliminary certificate" concept to a "Notice of Qualification" concept. Notice must still include an estimate of the amount of subsidy attached to the qualification.
- 10) Require amendment to qualification if claimed credit is to exceed original estimate by more than 5%.
- 11) Reduce base subsidy to 20%
- 12) Limit subsidy to \$20 million per production per year.
- 13) Sunset this program the earlier of 2013 or the issuance of qualification notices aggregating \$100 million
- 14) P4 L 19-23 Change CPA requirement from a CPA selected by the film board to a CPA acceptable to the film board

Distributed by Rep. Mike Hawker

ON FILE

- 15) Require post production review of work product and determination of continued compliance with qualification criteria
- 16) P4 L24-26 Limit scope of this provision to stating that the "amount" of the subsidy shall be determined by the audit. Payment of the subsidy needs to be subject to compliance with all provisions of this law
- 17) P4 L27-29 Eliminate "holder in due course" defense. Not necessary with change from transferable tax credit to direct subsidy. This is another advantage of calling this thing what it really is.
- 13) Add provision protecting the state's right to review, audit and subsequent disallowance and recovery if any form of non-compliance is later determined. Add a statute of limitation consistent with or incorporating other audit provisions in tax law.
- 19) Qualified expenditures:
  - a) Add a requirement that expenditures be ordinary, reasonable, necessary and not in excess of fair market value
  - b) Add related party exclusion for any expenditures made to or to entities with an ownership interest held by:
    - i) Production equity holders
    - ii) Production financiers
    - iii) Family members of the above
    - iv) Unless costs are demonstrated to be ordinary, reasonable, necessary and not in excess of fair market value AND are not otherwise readily available from Alaska sited vendors
  - c) Exclude all payroll and related costs for
    - i) Production equity holders
    - ii) Production financiers
  - d) (note: b and c above need to be thought through more thoroughly, but are critical and it is very important we get it right the first time.)
  - e) P5 L20-23 – exclude insurance and airfare costs
  - f) P5 L30-31 – catch all inclusion should be "as determined by Department of Revenue regulation" not by the film office.
  - g) P5 L24-27 – Disallow costs incurred for real and personal property to the extent value is durable and remains with the production company, whether realized or not by the time the subsidy payment is applied for.
  - h) Disallow costs that production expects will be recovered or reimbursed in the future
  - i) P6 L6-7 – require reimbursement for subsidy related to any claimed costs that are later reimbursed or recovered
  - j) Require production company to provide notice of any such change including workers comp audits, payroll audits, asset sales, etc.
  - k) Do not allow cost shifting to Alaska, especially payroll, by requiring for the purposes of the subsidy payment, that such costs be recognized by the production over the entire term of the project and not allocated disproportionately to time spent in Alaska.
  - l) P6 L10-11 – change to disallowing any administrative or management costs related to determining and obtaining subsidy

20) Need new section protecting the state.

- a) Recover the cost of any damages caused by the production to the state or local government by taking the money from the subsidy. This would include costs of environmental or other physical damages and from failure to comply with any law, regulation, permit, lease or other agreement.
- b) Withhold payment if there are any filed, but unresolved legal actions involving the production company
- c) Need major criminal penalties for any fraud, bribery, conspiracy in connection with qualifying for, claiming or receiving a subsidy
- d) Disallow any otherwise qualified production where fraud, bribery or conspiracy is proven

21) Add a section regarding filing and payment of claim for reimbursement. Integrate with existing tax filing and refund statutes. Make timing of refund subject to review and determination of compliance with all related statutes.

We should also have a constitutional review done by Leg Legal regarding commerce clause issues.

I'd further like a formal technical evaluation and critique of this bill from the DOR Tax Division.

SB 230 – Film Production Tax Credit  
Conceptual Amendments: For Discussion Purposes  
March 31, 2008 Meeting

Addendum #1

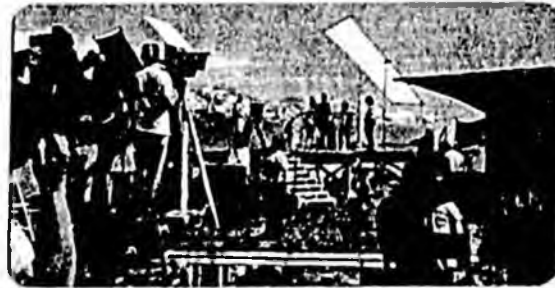
- 1) P5 L2 after "expenditures" insert "for goods and services"
- 2) P5 L2 What does "directly incurred in this state" mean. I think on this one just stating that ..."expenditures for goods and services incurred in this state" gets there unless we really want to tie it down to something like "goods and services incurred in this state where those goods and services are acquired from resident Alaskans."
- 3) P6 exclusions section: exclude depreciation and amortization
- 4) We might want to specifically exclude land purchases

3/28/08



## 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.



UNTILE

**STATE OF ALASKA'S  
GOALS  
AFG'S GOALS**



- Progress
- Productivity
- Putting Alaskans to work.

**AFG PRESENTS**

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

## SENATE BILL-230



### Creates:

- Diversification of our economy
- New private sector jobs
- 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
- Maintenance Firms
- Rental Companies
- Security Companies
- Tourism Businesses

## HOUSTON WE HAVE A PROBLEM...

AND SO DO ...

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

Across Alaska we are missing out.

## ECONOMIC IMPACTS

"NORTHERN EXPOSURE"



- In production from 1990 - 1994 for a total of 110 episodes.
- $110 \times \$839,000.00 = 92,290,000.00$  M in total production costs.
- Total series ground spend =  $\$69,217,500.00$  M

Source: T.V. Guide 7/21/91

## MEN IN TREES



- Ground Spend per yr. in British Columbia = 20 Million
- Value to tourism by having a television series shot in your state = PRICELESS



Source: Dana Hasle - Film Incentives Specialist

## STATE OF OUR STATE

TELEVISION

VS

FEATURES



### CAPTURED:

Discover Channels'

"DEADLIEST CATCH"

Season ground spend =

3.7 Million

### LOST:

Sony Pictures

"THIRTY DAYS OF NIGHT"

Estimated ground spend=

37.5 Million

Source: IMDb and Amazon

## 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 - ECONOMIC IMPACT



- Film Production went from \$7 Million to \$343 Million in 2 years.
- 2003 film spending supported 5,437 jobs
- 2005 film spending contributed 13,445 additional jobs due to the increase in film expenditures.

Source: Louisiana Television Office and IMPLAN

## LOUISIANA'S INCENTIVES

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

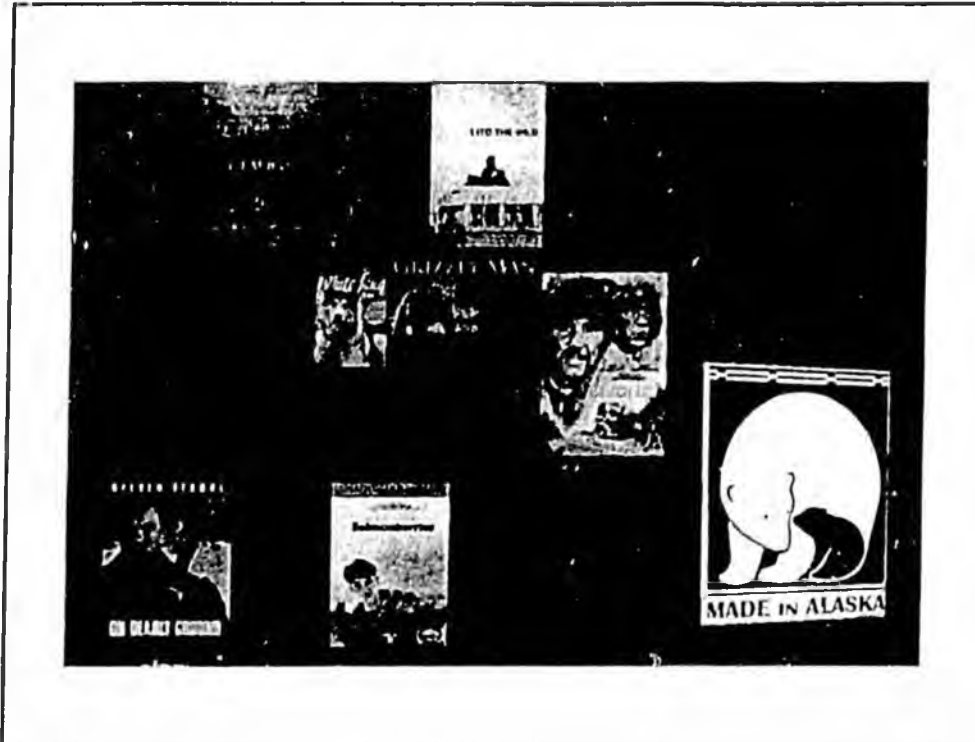


Source: Louisiana Film and Television Office

## WELCOME TO SITKA, MASSACHUSETTS

- Incentives
- Rebates
- Tax Credits





## SHOW ME THE MONEY

Production Type	Crew Size	Economic Impact Per Shooting Day
<b>Feature Films</b>		
High end budget motion picture	Full crew, union scale	\$100,000.00
Average budget motion picture	Full crew, mixed crew	\$85,000.00
Low end budget motion picture	Minimal crew, non-union	\$35,000.00
<b>TV Movie Series</b> Assuming an average of 16 day shoot		
Feature, Cable, Broadcast		\$85,000.00
Commercials, Music Videos		
<b>Commercial event</b> Expensive director, high budget, mag. effects and special equipment		
High end budget	Full crew, union scale	\$75,000.00
Average budget	Full crew, mixed or non-union	\$50,000.00
Low end budget		\$25,000.00
<b>All Other</b> First, 2nd unit, travel, documentary, educational, corporate, industrial, satellite, foreign broadcast, special		
High end budget	varies	\$75,000.00
Average budget	varies	\$25,000.00
Low end	varies	\$15,000.00

Source: Alaska Business Plan FY'07-FY'10: Alaska Film Program

## CREW RATES

- Director of Photography @ 87.13 per hr.
- Camera Op. @ 53.33 per hr.
- Gaffer @ 34.53 per hr.
- Key Grip @ 34.53 per hr.
- Electrician @ 30.92 per hr.
- Art Director (per wk.) \$2,747.47
- Set Decorator (per wk.) \$2,098.30
- Key Make-up @ 39.29 per hr.
- Key Hair Stylist @ 39.29 per hr.
- Prop. Master @ 34.53 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

## TAKING STOCK

### WHAT ALASKA HAS TO OFFER

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

### MISSING CRITERIA

- Incentive Program

## **WHY DOES IT MATTER?? FILM DEVELOPMENT DYNAMICS**

### **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 production  
studios)

### **LABOR FORCE**

Crew base  
Arts community  
"Industrial atmosphere"

Source: Economics Research Associates

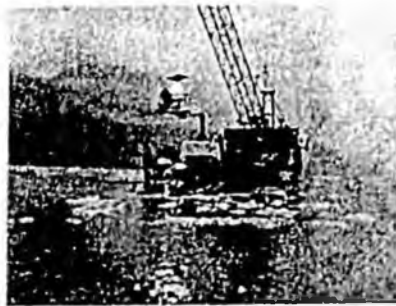
## **PASSAGE OF SSSB 230**

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

**THE OSCAR GOES TO...**



**THE STATE OF ALASKA**



Dist. by Sen-Ellis

3/28/08

82V

State	Type of incentive	Per production cap	Annual cap	Wage cap
Alaska (SB230)	30-42% transferable credit	No	No	No
Arizona	20-30% transferable credit	\$7M	\$50M	No
Colorado	10% rebate	No	\$600K	No
Connecticut	30% transferable credit	No	No	No
District of Columbia	10% grant	No	No	No
Florida	15-22% rebate	\$8M	\$25M	No
Georgia	9-17% transferable credit	No	No	\$500K
Hawaii	15-20% refundable credit	\$8M	No	No
Illinois	20% transferable credit	No	No	\$100K
Iowa	25% transferable credit	No	No	No
Kansas	30% non-transferable credit	No	\$2M	No
Louisiana	25%-35% transferable credit	No	No	No
Maine	10-12% rebate	No	No	\$1M
Maryland	25% grant	No	\$4M	No
Massachusetts	25% refundable or transferable credit	No	No	No
Michigan	12-20% refundable credit	\$2M	\$7M	\$100K
Minnesota	15% rebate	No	\$1.3M (two years)	No
Mississippi	20-30% rebate	\$5M	No	No
Missouri	50% transferable credit	\$1M	\$1.5M	No
Montana	9-14% refundable credit	No	No	No
New Jersey	20% credit; \$1.5M loan	No	\$10M	No
New Mexico	20-25% rebate; \$15M loan	No	No	\$5M total out of state payroll
New York	10% refundable credit (plus 5% from New York City)	No	\$25M (plus \$12.5M from New York City)	No
North Carolina	15% refundable credit	\$7.5M	No	\$1M
Oklahoma	5-15% rebate	No	\$5M	No
Oregon	16-20% rebate	No	\$5M	\$1M
Pennsylvania	25% transferable credit; 20% grant	No	\$75M (credit); \$5M (grant)	No
Puerto Rico	40-50% transferable credit	No	\$15M	No
Rhode Island	25% transferable credit	No	No	No
South Carolina	10-30% rebate	No	\$21M	\$1M
Tennessee	13-32% rebate	No	\$20M	No

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Texas	5% grant	\$2M (film); \$2.5M (TV); \$200K (ad); \$250K (video game)	No	\$200K
Utah	15% refundable rebate	No	\$4M	No
Washington	20% rebate	\$1M	\$3.5M	\$250k
West Virginia	27-31% non-transferable credit	No	\$10M	No
Wisconsin	25% refundable credit	No	No	Excludes two highest paid employees
Wyoming	12-15% rebate	No	\$1M	No

Source: The Complete Guide to Film Incentives, Axium, Fall 2007 Edition

31 L.L.I.  
17 no annual cap

3/28/08  
testimony

# Public Testimony on Senate Bill 230

## Presented to House Finance Committee March 28, 2008

By Britt Arnesen  
Lifelong Alaskan and registered voter in District P-32

### CONTENTS of "WHITE PAPER"

Summary	3
The mechanics of SB 230 are flawed. The bill needs extensive work to ensure it benefits Alaskans and encourages desirable economic outcomes.	3
The bill begins with a high subsidy and hiring Alaskans is only an extra few percent. Rather than an afterthought, Alaska hire should be the base of the subsidy.	4
SB 230 does not address other major factors influencing film industry decisions, such as the cost of doing business.	4
The major factor influencing production decisions regarding Alaska is lack of infrastructure.	4
Non-resident workers continue to dominate some sectors of the Alaska economy, and SB 230 will exacerbate this.	4
SB 230 creates a whole breed of lawyers, consultants, and middlemen.	5
Sec. 44.33.236(a)(13) and (14) are flawed. By subsidizing premiums for insurance and airline tickets if purchased through an Alaska-based agency, SB 230 provides a much larger financial benefit to the Producer than to the local company providing the service.	5
The State will pay repeatedly through construction and later leasing of subsidized projects, with no equity share. Through clever lawyers and LLC arrangements, the subsidy can easily be taken advantage of, with little protection for the State.	6
Sec. 44.33.233(a)(1) sets the minimum spend too high, edging out start-up entrepreneurs.	6
Sec. 44.33.235(f) removes the State's right to recoup improperly paid subsidies if corruption, fraud, or mistakes are uncovered. This language MUST be removed.	7
The program described in this bill is not a proper role of the government. It is, however, a proper role of a trade association formed for the benefit of its members.	7
There is no Alaska-specific economic analysis which justifies this as the proper vehicle to achieve the intended outcomes.	8
While the bill might "level the playing field" for Alaska to attract big business, it actually makes competition tougher for small, Alaska-based entrepreneurs.	9
The justification for exclusions in Sec. 44.33.233(b) is not clear. If the goal is to stimulate spending, why have any exclusions at all, or why pick and choose the ones in the list?	9
Externalities of the Bill Have Not Been Adequately Characterized	10

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Subsidies will result in increased use of public infrastructure such as roads, while at the same time diverting General Fund money away from the maintenance of such infrastructure.	10
The potential environmental impacts of the dramatic increase in filming have not been addressed. These impacts are real and will be felt by Alaskans outside the industry.	10
Subsidizing the industry to shoot on public lands may deliver a short-term boost at the expense of long-term prudent management of public land, requiring catch-up funding later.	11
The film industry has a reputation for wasteful spending and the State should not subsidize waste.	13
SB 230 should be amended to exclude subsidies for expenses which result from failure to comply with federal, local, and State laws, regulations, permits, or lease agreements for use of public land.	13
Major productions negatively impact air quality.	14
The dramatic increase in film activity from the subsidy will increase greenhouse gas emissions, counteracting efforts by the Palin Administration and Legislature to be proactive on climate change.	14
There should be a DNR fiscal note to analyze the impacts of permitting film projects on State land.	15
<b>SB 230 does not contain adequate provisions to prevent corruption, favoritism, or misuse.</b>	16
The Louisiana "success story" is tainted by corruption which has funneled public money into questionable projects as a result of kick-backs to Film Commission officials.	16
Sec. 44.33.231(d) should be amended so that the State can consider the most qualified applicant for the Film Officer Director.	17
The position of Film Office Director has too much discretion to be taken lightly. There appears to be no independent oversight of this discretion.	17
Film Office Budget not adequate funded and staffed to properly evaluate qualified expenditures.	18
It's okay to say no.	18
Colorado was able to say no this year.	19
The Governor of Indiana said no this year.	19
There are opportunity costs associated with this subsidy.	19
Alaska does not need to become defensively involved in the State film subsidy wars.	19
<b>PATH FORWARD</b>	20
Other economic development models may be more appropriate than a full-on subsidy, and these should be explored.	20

### **Summary**

I am deeply concerned that SB 230 is being pushed through the Legislature in one short session with essentially no review by parties outside of the Film Industry. I have studied Public Administration at UAA and recognize bad policy when I see it. In this white paper, I present more than enough reasons for the House Finance Committee to stop this bill right here and table it until further analysis is performed.

I support the idea of building locally-owned and sustainable business opportunities for young people like myself. But this bill, crafted by consultants specializing in taking advantage of state governments, is deeply flawed and has negative external consequences that haven't been addressed. This vehicle (mega-subsidies) has not been demonstrated by its sponsors to be the most effective way of achieving the intended outcomes. I implore you to table this bill for later to allow the public to weigh on this massive subsidy and see if there is a more efficient way to achieve these outcomes. A public process such as a Task Force could invite participation from other groups such as regional economic development corporations, local governments, and members of the public like myself.

I have no skin in this game, other than a passion about Alaska, and a keen desire to keep the budget and growth of government in control so that the services we depend on can continue to be here for the future. I see tremendous opportunity cost in pushing this bill through without addressing the points I raise.

I understand that this white paper is very long, but I have researched it thoroughly and provided many references. This was necessary to help you, as the representatives of us, the people, to see through the glitz and glamour of the movie industry. This bill can wait. A time-out period will allow the Legislature to address the deficiencies and problems I have pointed out in this white paper. You would be remiss in your duties if you passed this bill without answering these very important questions.

I respectfully request that this entire paper be made part of the official record of SB 230 and the House Finance Committee. Again, I implore you to address these concerns before passing this bill. There is no emergency in passing this bill this year, other than a few specific special interests which would like a subsidy for their specific projects.

***The mechanics of SB 230 are flawed. The bill needs extensive work to ensure it benefits Alaskans and encourages desirable economic outcomes.***

**The bill begins with a high subsidy and hiring Alaskans is only an extra few percent. Rather than an after-thought, Alaska hire should be the base of the subsidy.**

The State of Alaska already has qualifications on the books for Qualified Alaska Vendors when it comes to State procurement and other guidelines. SB 230 could piggyback on these and only give subsidy for TRULY Alaskan businesses for expenses that truly went into the pocket of Alaskans. Instead, they have taken the opposite approach, allowing only icing on the cake for hiring Alaskans. This is backwards and is a prime reason SB 230 should be shelved until economic analysis can demonstrate that it is truly a sound course of action.

**SB 230 does not address other major factors influencing film industry decisions, such as the cost of doing business.**

It costs more to do business in Alaska than almost any other state<sup>1</sup>. It is Alaska's rank in the top three most expensive places to do business that keeps the film industry away. Instead of picking one industry to subsidize, the State should focus on reducing the cost of business for ALL industry, allowing all of us to flourish, instead of just one sector. Subsidizing one sector will put burdens on other sectors as well as the State treasury. For example, will the run on various parts or services increase prices for those outside the industry? Could this happen with hotel rooms in tourist season? What if a local entrepreneur who wants to make a small-budget documentary can no longer afford to rent needed equipment because a big Outside production has gobbled up all the available equipment, causing a sudden spike in price and drop in availability?

**The major factor influencing production decisions regarding Alaska is lack of infrastructure.**

Minutes of the Senate Labor and Commerce Committee reflect film subsidy consultant and lawyer Dama Charles' remarks, "Alaska doesn't have adequate infrastructure and trained crew available. So she supported keeping the 30 percent base tax credit to offset these costs."<sup>2</sup> Since the industry and sponsors recognize that infrastructure and workforce are the primary factors holding Alaska back, the State should instead consider other proposals which will address these two areas first, prior to offering subsidies to Outside corporations.

**Non-resident workers continue to dominate some sectors of the Alaska economy, and SB 230 will exacerbate this.**

The supporters have claimed that the subsidy-driven boom will result in more opportunities for training and employment of Alaska workers, but this economic argument does not hold water and has never played out in Alaska. 30 years after construction of the Trans-Alaska Pipeline, non-resident employment continues to dominate many aspects of the oil industry, especially in the highest-paid positions. The new Dept. of Labor and Workforce Development Annual Report

<sup>1</sup> <http://www.millkeninstitute.org/research/research.asp?gateindex&function=detail&ID=29&type=CDR>

<sup>2</sup> Senate Labor and Commerce Committee Minutes of February 14, 2008.

on Labor Statistics released on March 25, 2008 shows that the percentage of non-resident workers in Alaska continues to climb, reaching the highest level since 1997. The influx of visitors as a result of the subsidies could be expected to exacerbate the already high percentages of non-residents in categories such as Arts/Entertainment and Visitor Services. A full economic analysis is needed to characterize these effects.

The only proven way to increase a resident workforce is to build it from within---not to subsidize large Outside corporations to come spend money. Throwing money at Big Productions LLC to bring an entourage to Alaska will not materialize trained workers. The most effective way would be to directly train workers and support local initiatives. The State has finally learned this lesson in other economic sectors such as process technology. Let's not set back the clock by making this mistake in the film sector.

**SB 230 creates a whole breed of lawyers, consultants, and middlemen.**

These people will be involved in helping producers take advantage of the subsidy. Middlemen will take a cut in tax credit transfers. A good 20% of the subsidy will be lost to these middlemen<sup>3</sup>.

**Sec. 44.33.236(a)(13) and (14) are flawed. By subsidizing premiums for insurance and airline tickets if purchased through an Alaska-based agency, SB 230 provides a much larger financial benefit to the Producer than to the local company providing the service.**

This is best to illustrate with an example. Big Production LLC purchases various insurance for \$100,000 through Alaska Bob's Insurance (affiliated with Allstate) and spends \$100,000 in air travel on Alaska Airlines booked through Alaska Jane's Travel Agency. Both Alaska Bob and Alaska Jane receive a small commission on their sale, perhaps 5 to 10%, so they each receive maybe \$5,000 to \$10,000 on the deal. The majority of the money paid to Alaska Bob and Alaska Jane goes to the national companies Allstate and Alaska Airlines. The State pays Big Production LLC a total of \$60,000 in subsidy (nevermind that a good 20% of that is lost to middlemen in the tax credit transfer process). So Big Production LLC made \$60,000 in subsidy, and the small local business that was supposed to benefit from the film industry's "groundspend" actually only received \$5,000 to \$10,000, and maybe far less than that when overhead and expenses are included. The State's payments to Big Production LLC are several times larger than the economic impact of the Big Production's supposed "groundspend".

If the intent of the bill is to stimulate payments to local vendors, shouldn't the absolute value of those payments be HIGHER than the subsidy?? If not, then the State would do better to just pay Alaska Bob and Alaska Jane directly! This example clearly illustrates how the subsidy has a bigger effect on the out-of-state producers than it does on the local vendors.

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<sup>3</sup> As described in Labor and Commerce Committee Minutes.

**The State will pay repeatedly through construction and later leasing of subsidized projects, with no equity share.**

This is best to illustrate with an example. Big Studio Construction LLC receives a \$10 million credit on their \$40 million soundstage built next to the defunct seafood plant-turned church and Sportsdome on Raspberry Road in Anchorage. Big Studio Construction LLC (which wholly owns the facility) leases it to Big Production LLC for \$40 million to produce The Next Big Violent Movie. The State pays another \$10 million of subsidy on the leasing fee. Of course, Big Studio Construction LLC is owned by the same parent company as Big Production LLC, so the leasing fees all line the same pocket. And the company has now collected \$20 million in State subsidies on a \$40 million facility. The State pays a new subsidy every time the money changes hands between the individual LLCs. The State earns no royalties on the smash success of The Next Big Violent Movie, and still, after a \$20 million investment, owns no equity share in the infrastructure. In the years following, Big Studio Construction LLC continues to generate income leasing the facility while the State continues to pay subsidies towards leasing fees. At the sunset of SB 230, the State has invested the full cost of the soundstage, \$40 million, and still has no equity share because Big Studio Construction LLC owns it. It is also unclear whether the SB 230 subsidy would have the State pick up 30% the tab for the property taxes owed by Big Studio Construction LLC to the Municipality of Anchorage. The State would be paying subsidy on all the costs of operating and maintaining the facility as well. The consequences of this subsidy are devastating toward the proper functioning of the free market.

**Through clever lawyers and LLC arrangements, the subsidy can easily be taken advantage of, with little protection for the State.**

Sec. 44.33.236(a) would allow the parent company of the LLCs previously discussed to form Editing Services LLC in Alaska and the parent company to collect further subsidies by having its various branches contract to each other, collecting a new 30% at every contract. They can form Wardrobe Services LLC and Transportation Services LLC and any other corporation with the help of the lawyers who specialize in helping mega-productions take advantage of state subsidies.

As I will elaborate further on, important protections that could prevent this sort of practice are missing from the bill due to a lack of funding for the Film Office, selection of the Film Office Director by a small sub-set of the industry, and the removal of the State's right to recourse in the event fraud is discovered (Sec. 44.33.235(f)).

**Sec. 44.33.233(a)(1) sets the minimum spend too high, edging out start-up entrepreneurs.**

The argument for setting a minimum spend at a high level is to get maximum impact. It has been argued that smaller productions won't be willing to spend the money on the audited CPA report to apply for the credit, so we shouldn't waste their time by allowing them to be eligible. I reject this argument because the free market will determine whether a business decides it is worth the expense to apply for the subsidy. We should not exclude small businesses and productions just

because we believe it is not worth their effort to apply. Let's let them make that business decision.

**Sec. 44.33.235(f) removes the State's right to recoup improperly paid subsidies if corruption, fraud, or mistakes are uncovered. This language MUST be removed.**

Senator Bunde pointed out this deficiency in the Senate Labor and Commerce Committee, asking that bill be amended to add "absent fraud" to this clause<sup>4</sup> and Senator Ellis asked this to be looked into. In the February 12 hearing, industry representative Dama Chasle, who personally profits from a business venture which consults productions on how to take advantage of State film industry subsidies<sup>5</sup>, testified that the bill should include language on fraud. The language regarding fraud appears to have never made it into the bill, as the bill still allows this major loophole. Ms. Dama herself has been disciplined by the California Bar Association effective July 7, 2005 regarding "private reproof, public disclosure" in case 04-C-12669<sup>6</sup>.

It is unconscionable that the State would give away such a major subsidy with no provision for recouping subsidies based on fraudulent claims.

**The program described in this bill is not a proper role of the government. It is, however, a proper role of a trade association formed for the benefit of its members.**

We should be painfully careful when deliberating creating new government programs, new subsidies, and new entitlements. This is because we all know that once created, these programs are nearly impossible to eliminate. Therefore, extreme caution is in order, and a longer and more thorough deliberative process is necessary to demonstrate that this program is an appropriate task for government rather than a task for a trade association.

The mission statement of the Alaska Film Group (AFG) states, "The Alaska Film Group is a nonprofit trade organization designed to create economic opportunities for membership, provide an educational forum, and to be a voice for the film & video industry of Alaska." AFG has come to the State requesting a film subsidy bill because the membership is unable/unwilling to pay to create their own economic opportunities. It is customary in Alaska politics to always look to the government first when you want something. This has resulted in so much wasteful spending. While we may enjoy a surplus today, doling out subsidies can eat away the surplus in a hurry, at the same time depriving the State of investment dollars or savings.

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<sup>4</sup> Minutes from Senate Labor and Commerce Hearing February 12, 2006

<sup>5</sup> See her website at [www.damachasle.com](http://www.damachasle.com)

<sup>6</sup> This record is publicly available at <http://members.calbar.ca.gov>

I draw your attention to other trade associations in Alaska. The State often gives assistance to these groups to market themselves (think Wild Alaska salmon), but that is usually awarded through a (hopefully competitive) grant process. It is highly unusual for the State to pick up the ENTIRE program on behalf of a trade association, especially one of this magnitude, and it is an improper role of the government. It expands the government in an area that should be the responsibility of the private sector. When a trade association wants to confer benefits to its membership, it should be the responsibility of the trade association, not the General Fund, to pay for this. I would welcome AFG applying for a State grant to implement parts of this program themselves, and if they could demonstrate that their program would be effective, then I would support such a grant.

**There is no Alaska-specific economic analysis which justifies this as the proper vehicle to achieve the intended outcomes.**

Rather than provide a subsidy this year, why not encourage the AFG or another non-profit to leverage private trade association funds to commission a study to evaluate the best course of action for Alaskans? Or why doesn't AFG apply through one of many competitive grant processes for funding to conduct this work? The bill's supporters have not provided any specific economic analysis indicating why *this bill* is the best way to ensure the positive economic outcomes we all hope for. A root cause analysis has not been performed to show what the true causes are for the lack of filming of major motion pictures in Alaska. Other factors could rank much higher than a lack of subsidy, such as high cost of goods and transportation, lack of infrastructure, and lack of trained workers. The Legislature should either require that the sponsors present such an analysis, or consider forming a Task Force to conduct this analysis over the interim.

The City of San Francisco conducted an economic analysis prior to considering a film subsidy there. The study concluded the ordinance would confer a "moderate benefit" to industry, "moderate adverse effects" to local governments, and neutral effects to all other parties<sup>7</sup>. The level of moderate benefit was so minor that it became difficult to justify the adverse affects on government revenue.

Research is patchy on this subject, but there are many questions the Alaska Legislature should answer before passing this bill.

The little evidence available suggests that film tax credits do attract film production and create jobs in states that have little or no film industry. However, they also cost states considerable foregone tax revenue. The film production stimulates little additional economic activity in other industries. Consequently, film tax credits do not "pay for themselves" by indirectly generating additional corporate income, sales, and property tax revenues ...As more evidence becomes available, policy analysts and policymakers should evaluate the cost-effectiveness of film tax credits relative to alternative policies designed to promote job creation and economic growth. They should also take into account the economic effects of measures needed to offset the revenue losses incurred by

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<sup>7</sup> City and County of San Francisco Office of Economic Analysis. Economic Impact Report of the Proposed Film Rebate Program, File Number 060065

film tax credits in order to maintain balanced budgets. Another important question, asked too infrequently, is: are there alternative public policies that might be more cost-effective in creating jobs than film tax credits?<sup>8</sup>

Sage advice.

**While the bill might "level the playing field" for Alaska to attract big business, it actually makes competition tougher for small, Alaska-based entrepreneurs.**

Competition between private entrepreneurs and State-subsidized entities has created tensions before. On September 15, 1994, Legislative Auditor Randy S. Welker reported on the status of industry complaints that public television was using State funds to compete with private industry.<sup>9</sup>

Commercial broadcasters we interviewed had strong convictions on the subject of competition. A phrase frequently spoken was that the public broadcasters are using public funds to compete with private enterprise. In other words, public broadcasting is funded from taxpayer dollars and therefore should not compete with that taxpayer... As reflected by the 1980 letter from Alaska Film Studios and the 1986 position paper, the issue of state subsidized competition, specifically that of public broadcasting stations, has been of continuing concern of the private sector. This concern was further evidenced by a 1989 report from the Governor's Conference on Small Business. The report recommended that there be a limit or restriction on government agencies from competing with small business, including prohibiting unfair competition by non-profit, tax-exempt organizations taking advantage of their status to compete with small business.

Think back to the hypothetical example about Big Studio Construction LLC. Expenses are only qualified and subsidized if incurred by a "Producer". Therefore, if a local developer wanted to build a soundstage to lease to the film industry, they would be ineligible for the subsidy, and their project would take a 30% hit in competition with the subsidized out-of-state company. Ironically, the bill stifles certain local investments in infrastructure by subsidizing some activities and not others.

**The justification for exclusions in Sec. 44.33.233(b) is not clear. If the goal is to stimulate spending, why have any exclusions at all, or why pick and choose the ones in the list?**

Why exclude sexual content, but not rape, murder, incest, drug glorification, or violence? Why exclude news, but not hate speech? Should we be making these moral judgments so flippantly? Remember the Film Office Director has remarkable discretion in this area

<sup>8</sup> New England Public Policy Center at the Federal Reserve Bank of Boston. "Hollywood East? Film Tax Credits in New England" by Darcy Rollins Saas, Policy Analyst, October 2006 Policy Brief

<sup>9</sup> Audit Control number 02-4485-94 accessible at <http://www.legis.state.ak.us/page/audits/1994/pdf/4485.pdf>

***Externalities of the Bill Have Not Been Adequately Characterized***

Massively increasing the scope of an industry in a short period of time has proved disastrous in Alaska's past, resulting in strain on public infrastructure and environmental degradation, and contributing to a boom-and-bust economy.

**Subsidies will result in increased use of public infrastructure such as roads, while at the same time diverting General Fund money away from the maintenance of such infrastructure.**

Growing the film industry this quickly, basically overnight, will result in a dramatic increase in the use of public infrastructure, especially roads, ports, and airports. Rather than contributing to the maintenance of this infrastructure, the State will be paying for its degradation. If the bill brings in \$100 million like some would like to see, that will put an untold number of new big trucks and trailers on our roads transporting heavy loads with the light plants and generators referenced in the following sections. There should be a fiscal note from the Dept. of Transportation to quantify this effect. Again, if the sponsors are hoping for a big boom, they should be able to explain how to deal with the adverse effects of such a boom. Movies sound glamorous and the industry people who have testified in favor of this bill have often referred to how "green" their industry is, but the reality is a huge influx of equipment, vehicles, and people, to places where Alaska isn't used to accommodate projects of that type and scale.

**The potential environmental impacts of the dramatic increase in filming have not been addressed. These impacts are real and will be felt by Alaskans outside the industry.**

The "unparalleled scenery" referenced in Sen. Ellis' opinion piece posted on AFG's website points to what everyone believes about this bill: Alaska can draw industry based on its unique wild places. We all want to safeguard these special places so they can provide economic activity in perpetuity. This requires evaluating potential environmental consequences prior to taking major actions like this subsidy. If, as the bill's sponsors hope, this bill generates a major increase in economic activity, especially surrounding Alaska's wild places, there will be impacts on our public lands that have not been discussed. The impact of a film crew on location is immense, as described in a UCLA study<sup>10</sup>,

With production crews now often well over 100 people, filming on location is comparable to moving an army. In one instance, this involved bringing into an otherwise uninhabited site a collection of 10-ton trucks, cranes, helicopters, jeeps, forklifts, offroad vehicles, golf carts, and material such as pipe and steel used to stabilize other equipment. The dolly grip we spoke with controlled a camera crane with 5,000 pounds of lead to counterbalance a 60 foot arm. To prepare for this army's arrival, the production may have to pave roads and prepare support services, such as restrooms, holding areas, meet other special needs that various departments may have, get the preps ready, and prepare for craft services to offer catering and trash collection.

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<sup>10</sup> Sustainability in the Motion Picture Industry, a report to the Integrated Waste Management Board, UCLA, November 2006

If an oil company brought 35 workers to a remote site for a project, there would be a bus. Dozens of trucks. Generators. Most often, several light plants. All of these activities require hundreds, if not thousands, of gallons of fuel transported to and stored at remote sites. Dealing with fuel and fuel-burning equipment poses many varied risks to the environment. Hoses break, lubricants leak. Collisions sometimes occur, and vehicles go off the road. Tanks leak. Valves leak. Parts can crack. Floods, earthquakes, and storms shake things up. All of these contribute to the likelihood of an incident. We as a State require the oil companies to develop often very detailed safety and environmental plans. Often a team of State inspectors will arrive at a job site to make sure the drip pans are in place and there are no vehicles being refueled in the annual floodplain of the salmon stream. Where is the HSE plan for the film crew? Where is the funding for State permittees to monitor film industry practices on public lands?

Let's remember though, there is no requirement in the bill that the producer obtain and comply with permits to get the credit. So, Big Production LLC could show up with an entourage at Clam Gulch and begin mobilizing to set up for a beach scene in front of the beautiful Mt. Redoubt. During transport down the steep access road to the beach, the trailer carrying one of six generators hits a bump and the non-resident driver loses control of the vehicle. In the accident, the fuel tank of the generator is punctured, releasing an estimated 300 gallons of diesel onto the beach. It begins flowing down toward the water quickly. It actually takes several hours for the producer to learn about CISPRI, but there is already a sheen flowing by in the current. And it's two weeks from a prime clamming tide, and the clams are all growing...So in the end, Big Production LLC spent \$2.4 million while they were in Alaska that time. They spent \$450,000 on the spill clean-up alone. And although the State may have been able to prosecute them for attempting to film without the permit, under Sec. 44 33 235(f) of this bill, the State would still have to pay them as much as 44% for the privilege. They polluted a Legislatively Designated Critical Habitat Area which many Alaskans depend on for harvest. And what did the people get? Some aromatic hydrocarbons in their food.

**Subsidizing the industry to shoot on public lands may deliver a short-term boost at the expense of long-term prudent management of public land, requiring catch-up funding later.**

The long-term consequences of giving industry a free ride on public land can come back to haunt lawmakers later. In 1999 Congress debated a resolution<sup>11</sup> (HR 154) to repeal a 1948 prohibition on charging fees for film industry use of public land after a coalition of environmental, industry, and government players agreed that the taxpayers should no longer foot the bill for the externalities associated with filming in National Parks. The testimony sheds light on the balance we need to strike between promoting economic development and safeguarding the resources which make that development possible: our unique public lands. From the testimony of Rep. Joel Helley (CO):

<sup>11</sup> [http://commdocs.house.gov/committees/resources/hii54691.000/hii54691\\_0.H1M#30](http://commdocs.house.gov/committees/resources/hii54691.000/hii54691_0.H1M#30)

The bill directs the Secretary to require a payment of fees in an amount determined to provide a fair return to the government and that said fee shall not be less than the direct and indirect costs to the government for processing permit applications and for the use of the land and facilities, including any necessary cleanup and restoration. The bill further directs the Secretary, as part of this policy, to develop a schedule of rates for fees based on such factors as the number of people on site under a permit, the duration of their stay, surface disturbances and the use of special areas... We all want to see filming continue on the public lands; the more people see them, the more will be stimulated to visit them. Even the film industry admits its only fair that one of the nation's leading industries and exporters pay a fair price for the use of these lands. It's possible revenues from this policy will take care of some maintenance needs on our public lands. At the same time, we don't want to see our public lands turned into sound stages. I think H.R. 154 can accomplish this. I urge your support.

Even more relevant in context of our Constitution, is the statement of Stephen Saunders, Deputy Assistant Secretary For Wildlife and Parks:<sup>12</sup>

It is often the unique nature of public lands that attracts filmmakers. In some cases, public lands may be the only option for a filmmaker whose story is inextricably tied to something that may only exist on public lands. We believe the public has the right to be compensated for the commercial use of this uniqueness.

I believe that a home-grown film industry that is reasonable in scope and grows in a well-planned sustainable way could be a good thing for our public land. However, I don't see any evidence in the record that the effects of this bill on public land have been analyzed. If we fail to analyze these impacts before taking this action, we could end up in the future in a situation where the under-funded State Park System has to deal with the maintenance on roads and facilities from over-use by State-subsidized mega-productions.

The major film industry trade association, the Motion Picture Association of America, does not oppose paying reasonable fees for the use of public lands, so we do not need to subsidize them for this. In the statement of MPAA President and CEO Jack Valenti testifying at the HR 154 hearing, "There's a wonderful world of grand vistas in the public lands. Such splendor imprisoned on film attracts audiences, which in turn beckon to producers, who are willing to pay uniform and reasonable fees for that privilege."<sup>13</sup> (emphasis added). If the MPAA president says that producers are will to pay reasonable fees, why should Alaska go the opposite direction and give out subsidies for use of public land? Mr. Valenti also described a pitfall of use of public land, which would be exacerbated in SB 230's case, where Alaska would be paying movie producers to use parks, rather than the other way around.

Right now, the National Parks Service cannot charge fees for filming. Although the parks can be reimbursed for costs of filming (Ranger time, parking, use of campgrounds, et cetera) these reimbursements don't provide real financial support to the parks. As a result,

<sup>12</sup> [http://commdocs.house.gov/committees/resources/hii54691\\_000/hii54691\\_0\\_HTM#67](http://commdocs.house.gov/committees/resources/hii54691_000/hii54691_0_HTM#67)

<sup>13</sup> [http://commdocs.house.gov/committees/resources/hii54691\\_000/hii54691\\_0\\_HTM#69](http://commdocs.house.gov/committees/resources/hii54691_000/hii54691_0_HTM#69)

park administrators can become indifferent to filming, or even hostile because their efforts to promote movie making in the park don't produce for them any direct return.<sup>14</sup>

It is inappropriate to pass this bill without further input from State Parks managers and an analysis of the impacts on other park users. For example, Hatcher Pass is a highly desirable filming location (many State permits have been issued for film activities there), but it is also a highly desirable blueberry picking location. How will filming protect blueberry users?

**The film industry has a reputation for wasteful spending and the State should not subsidize waste.**

Researching industry trade publications, there are endless anecdotes about waste and excesses in the film industry. These include a \$105,000 bill for bottle water<sup>15</sup> (Alaska's share: \$30,000+) and 11,000 tons of steel, concrete and lumber from a broken down set --- which would have represented 10% of Alameda's annual waste generation<sup>16</sup>. Are our municipal landfills prepared to handle waste generated by the sudden increase in activity? Is it appropriate for the State to pay for the dump fees from wasteful purchases and disposable construction? Under SB 230, those are qualified expenditures. What about other environmentally-questionable expenditures, such as chemicals to artificially age film wardrobe items, and the subsequent hazardous waste disposal?

**SB 230 should be amended to exclude subsidies for expenses which result from failure to comply with federal, local, and State laws, regulations, permits, or lease agreements for use of public land.**

The Petroleum Profits Tax, ACES, excluded tax deductions for expenses which resulted from failure to comply with State regulations and laws, and the public wanted to ensure that BP would not be able to deduct the cost of the Prudhoe Bay spill clean-up. I submitted public comments on ACES and requested the bill be amended to also disallow expenditures for failure to comply with permits and leases on State land. SB 230 should exclude subsidies for these expenses as well. It is unreasonable and unjust for the State to subsidize these costs. However, the short-sighted language in Sec. 44.33.235(f) would prevent the State from recouping subsidies paid to even the most extreme bad actors. If the producers ignored permit conditions entirely or worse, willfully violated State laws which protect the public and the environment, why is it appropriate to still pay the subsidy?

<sup>14</sup> The law was passed in 2000, and became controversial later as the Park Service began issuing regulations that many saw as burdensome and overblown. See Anchorage Daily News archive: <http://dwb.adn.com/news/alaska/story/9523266p-9433908c.html>

<sup>15</sup> "Nothing Grows Where A Film Crew Goes" accessed at <http://magazine.women-in-film.com/Home/Articles/tabid/68/ArticleID/65/CBModuleId/622/Default.aspx>

<sup>16</sup> <http://forums.scifi.com/index.php?showtopic=2296113> Note: the 11,000 tons was actually recycled through non-profit ventures and prevented from entering the landfill. But since there are no environmental considerations in this bill, it is unlikely that producers will take the extra steps necessary to seek out those community efforts. Likely, such efforts will have to come from our local governments and non-profits instead, and those organizations will NOT be eligible to receive transferable tax credits for their role in steering the economic stimulation back towards the community.

**Major productions negatively impact air quality.**

The diesel-fired generators and vehicle emissions from filming activities will impact air quality. A two-year study from UCLA released in November 2006 pointed to the television and film industry as a top polluter in five counties of California, beating out four out of five industries compared. Only petroleum refineries put out more emissions than the film industry.<sup>17</sup> The film industry's impacts on the environment cannot be assumed to be trivial if this bill stimulates the economy as much as is suggested. The UCLA study concluded,

...our overall impression is that, with a few notable and inspiring exceptions, environmental considerations are not high on the agenda in the film and television industry, and that more could be done within the industry to foster environmentally friendly approaches.

And for the reason the industry is not "greening" up as quickly as some others, the professors say progress is hampered by "the degree to which work is controlled by short-lived ever-changing production companies rather than by long-lived firms in stable supply chains, making it difficult to institutionalize best practices."

**The dramatic increase in film activity from the subsidy will increase greenhouse gas emissions, counteracting efforts by the Palin Administration and Legislature to be proactive on climate change.**

Governor Palin has set up a subcabinet on climate change. The Legislature created the Climate Change Commission. The House has passed a Renewable Energy Fund. So you have all stated publicly that you care about this issue, and that you recognize renewable energy development is a good direction for Alaska's economy. That being said, is it in our interest to allow the same subsidy amount for a diesel-fired mega-production as a wind- or solar-fired set? Should carbon offsets be allowable expenditures for the credit? Should renewable energy be encouraged at remote productions on public land to minimize diesel use (and therefore environmental risk)? Should fossil fuel expenditures be excluded from the subsidy bill to encourage better practices? Since the producers will be importing all of their equipment because Alaska lacks key infrastructure, we want to either have the producers bring renewable energy to remote sites with them, or contract with Alaska-based business to build renewable energy infrastructure in Alaska.

A small business could be formed to build wind turbines and solar panels specifically for the film industry. However, State subsidy would not be available directly to this wind energy entrepreneur in the current bill. Only producers are eligible, not local entrepreneurs trying to build infrastructure. The local entrepreneur will only benefit indirectly from the credit, if at all, if Big Production LLC chooses to contract with them. And with the subsidy bill silent on carbon emissions, there would be no incentive for the producer to make the green, and locally stimulating, choice.

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<sup>17</sup> <http://www.knbc.com/news/10315943/detail.html>

**There should be a DNR fiscal note to analyze the impacts of permitting film projects on State land.**

One could argue that the permitting process will hold the producers accountable for meeting environmental standards contained as permit stipulations. If that is truly the case, then there should be a DNR fiscal note to show that additional permitting staff time will be required as a result of this bill. If the bill works as intended, DNR will be flooded with applications for filming on and across State land. Without additional permitting funding for DNR, who is to ensure that producers apply for permits? Will anyone inspect operations in sensitive areas? Will spill prevention and response plans be required at sites where diesel is transported, stored, and used? Will film crews be required to keep spill response kits on site to contain diesel spills?

At current staffing levels, I have heard many times that DNR permitters are overwhelmed by backlogs. They don't have time to conduct site visits or independently verify information sent in permit applications. This bill will increase the burden on our permitters. Further, if the permitting backlog gets too bad, it could result in permitting delays, which could negatively impact industry projects.

The fiscal note should address both general State land needs through DNR regional permitting offices, and impacts on State Parks. Impacts on subsistence and personal use of fish, game, and berries should be addressed.

***SB 230 does not contain adequate provisions to prevent corruption, favoritism, or misuse.***

**The Louisiana "success story" is tainted by corruption which has funneled public money into questionable projects as a result of kick-backs to Film Commission officials.**

The bill's supporters have been proudly telling you about Louisiana, but too much coziness between the film office there and private producers has resulted in allegations of bribes, kickbacks, and a full-blown FBI corruption investigation<sup>18</sup>. On August 17, 2007, a former Louisiana Film Office official was charged by federal prosecutors for taking over \$65,000 in kick-backs through inflating credits. Mark Smith was charged with accepting cash in envelopes from a movie producer through a third party<sup>19</sup>. And apparently that is not the end of Louisiana's corruption problems in the film office. U.S. Attorney Jim Letten stated at a news conference, "This case is not over. We anticipate seeking more charges in the future." This story, excerpted from a Louisiana Newspaper, is hauntingly familiar to Alaskans:

According to the charges, the movie company on four occasions in 2004 issued checks ranging from \$20,000 to \$35,000 to an attorney, whom sources identify as Bradley. Each time, according to the documents, the attorney cashed the checks and subsequently gave Smith envelopes of money, ranging in amounts from \$12,500 to \$20,000.

"Smith allegedly approved fraudulently inflated film budgets submitted by a film production company in order for the film company to receive state tax credits in return," Letten said. "It is alleged that Smith accepted cash bribes totaling over \$65,000. A businessman, who is not identified at this time, wrote corporate checks to a third party who cashed the checks and passed the bribe payments on to Smith."

Alaska's film industry, when influenced by out-of-state attorneys, producers, and consultants, is not immune from this sort of arrangement. The crafting of this bill is an example of the favoritism we can expect from a future film office if more safeguards aren't incorporated into the bill.

Worse, because of the completely inappropriate language in Sec. 44.33.235(f), if the State uncovers corruption or fraud, it will have no right to recoup monies erroneously paid to producers. For example, AFG selects a film director who owns Production Services LLC. Big Production LLC applies for a subsidy through this legislation, and tells the Film Office Director that he will pay her company for consulting services two years later. A low-level State employee uncovers the scam some time later, but the State cannot recoup the cash paid out on behalf of Big Production LLC because this bill removes the right to correct for fraud. We would NOT tolerate this sort of provision in an oil tax bill.

<sup>18</sup> [http://blog.nola.com/times-picayune/2007/05/fbi\\_investigating\\_louisianas.html](http://blog.nola.com/times-picayune/2007/05/fbi_investigating_louisianas.html)

<sup>19</sup> [http://blog.nola.com/times-picayune/2007/08/film\\_commissioner\\_charged\\_with.html](http://blog.nola.com/times-picayune/2007/08/film_commissioner_charged_with.html)

**Sec. 44.33.231(d) should be amended so that the State can consider the most qualified applicant for the Film Officer Director.**

AFG representatives want to choose the director of the Film Commission as layed out in Sec. 44.33.231(d). I implore you to change the "shall" to "may" this section, to allow AFG to forward names, but not require that the Commissioner "shall" appoint from these names. I question the appropriateness of AFG as an entity to submit these names. A list of AFG membership shows that well over 90% of the membership is based in the Anchorage and Mat-Su areas. The AFG does not have a statewide reach, as the film and video industries in other parts of the State appear to be under-represented<sup>20</sup>. Further, AFG is a very small organization, with no staff and a budget so small, that they are not required to file 990 forms like other non-profits<sup>21</sup>. These attributes make AFG an inappropriate entity to be making a recommendation that the Commissioner "shall" consider as stated in Sec. 44.33.231(d). While there are precedents for trade associations making recommendations for appointments (such as the Alaska Bar Association), these are large trade associations with healthy budgets, full-time staff, adequate governance and bylaws and statewide reach.

Senator Elton questioned this on February 28, 2008 in the Senate Finance Committee. Darwin Peterson, presenting a committee substitute which inserted the language about AFG selecting the director, argued "it is important for the position have an understanding of the film industry and the ability to establish and maintain a relationship with the private sector."<sup>22</sup> We all agree this is important, and in a regular recruitment process where the most qualified candidate were selected, the Film Office Director would certainly have to have those skills and relationships in order to be the most qualified candidate. Hiring from the very small special interest group's recommendations does not necessarily ensure that the State's interests are protected in the same way that a recruitment process can, while still ensuring the qualified candidate meets the needs for industry knowledge and partnering. While it appears the conceptual amendment passed on February 28 softens the AFG's influence on the hiring decision, the word "shall" is still included and is too prescriptive. "May" is more appropriate. I would actually suggest removing this line entirely, since the AFG can always send a letter to the Commissioner with suggestions about anything.

**The position of Film Office Director has too much discretion to be taken lightly. There appears to be no independent oversight of this discretion.**

The director of the Film Office will be responsible for many discretionary decisions such as the level of subsidy to provide, choosing which films contain inappropriate content by interpreting the U.S. Code referenced in Sec. 44.33.233(b)(5): "a production that is determined by the film office to contain sexually explicit conduct.." - is it appropriate for the Film Office to interpret the federal law? Could the AFG-appointed Film Director use this as a tool to exclude or include productions in their own self-interest or the interest of industry friends? The Director will also be

<sup>20</sup> See membership list at [www.alaskafilmmuseum.com](http://www.alaskafilmmuseum.com) and note that well over 90% of the membership have Anchorage and Mat-Su addresses and phone numbers.

<sup>21</sup> 990 forms for all Alaska non-profits are available at [www.guidestar.org](http://www.guidestar.org).

<sup>22</sup> Senate Finance Committee Minutes, February 28, 2008

choosing how much justification to require from subsidy applicants, and making decisions on which businesses will receive Film Office contracts for marketing, and the Director will choose which private sector entities the office will "cooperate" with. Why does this person choose the CPA in Sec. 44.33.235(d)? There are other duties in Sec. 44.33.231(a) as well. In order to assure that the program is managed prudently, the most qualified applicant should be selected through a competitive recruitment. While the AFG may be able to forward names who have the appropriate experience in the film community, it is not clear whether these individuals will be qualified to prudently manage a State program which will be doling out millions of dollars in subsidies. Therefore, individuals recommended by the AFG should be forwarded a link to WorkPlace Alaska where they can apply for a State job just like everyone else who wants one.

If the wrong director is chosen, fraud could go undetected. Or worse, kick-backs and other corrupt behavior could occur as has happened in Louisiana. In a small, isolated office such as this, it may take years for this behavior to be detected, and at that point, it will be too late because the awful language in Sec. 44.33.235(f).

This coziness between the State's cash register and the industry makes me uncomfortable and should raise the eyebrows of anyone with auditing experience. There is no independent oversight of the Film Commission's determinations in the discretionary areas, such as which expenses meet the subjective criteria in Sec. 44.33.236(a)(17).

#### **Film Office Budget not adequate funded and staffed to properly evaluate qualified expenditures.**

Louisiana also experienced surprise when they discovered that music festivals had been paid subsidies under the tax credit when the indicted Film Commission Officer Smith allowed credits on the entire festivals' expenses simply because a DVD was being made of the concerts. Plans for construction credits included golf courses and luxury hotels as part of soundstage construction, presumably to house Hollywood bigwigs. Due to poor record-keeping by the Film Commission, it's unclear how much was erroneously paid. Alaska could be subject to the same pitfalls if we don't beef up our film office with Revenue Auditors as was done for the Petroleum Profits Tax.

#### **It's okay to say no.**

Increasing the overall economic impact of the film industry in Alaska can be a good thing if done responsibly. You have been presented with only one option: a government subsidy. I implore you to table this bill for a year and see if sponsors can come up with other options. There are many other economic models out there to stimulate locally-owned and import substituting economic activity without the problems associated with a full-on subsidy.

### **Colorado was able to say no this year.**

The Colorado House Finance Committee killed a nearly identical bill earlier this spring, HB 1355. Representative Kent Lambert stated the following, after remarking that the government shouldn't be in the film business, "We always face a decision of whether we should or should not pick winners and losers." The House Finance Committee there recognized that the Colorado economy as a whole, including the film industry, would be better stimulated by keeping taxes low and encouraging infrastructure and workforce development without the government picking and choosing which specific sectors of the economy should benefit.

### **The Governor of Indiana said no this year.**

Citing the excessive burden on taxpayers, he vetoed a subsidy bill there on February 18, 2008. Unfortunately for the taxpayers, the liberal Legislature overrode his veto, at a loss of \$18-30 million in state revenue.<sup>23</sup>

### **There are opportunity costs associated with this subsidy.**

I am the mother of a 4 year old. You can bet that I believe this money is better spent on more pressing public goods. I have lived in Alaska all of my life and watched the public education system slide. Money spent on lavish salaries of out-of-state executives is not money spent on potholes, diabetes, pre-school, Fire Island, trail court judges, foster kids, or any number of other things we all find important. The biggest opportunity lost is the opportunity to take these funds and invest them directly in local initiatives to increase infrastructure and workforce in the film industry. That is why it is not the right time to pass this bill; first the Legislature should consider other avenues for achieving the outcomes desired in this bill. We could get a lot more "bang" for our economic development "buck" if we considered our options more carefully.

### **Alaska does not need to become defensively involved in the State film subsidy wars.**

This bill was presented defensively: we have to get in on this before it slips away completely! There is a bidding war ongoing between and among states, and in bidding wars involving government subsidies, everyone loses. Just because they are spending taxpayer money in a specific way to benefit a specific industry in another state, that does NOT mean we have to do it too<sup>24</sup>. Winning the subsidy war will only be a win for producers. All of the states lose, and the public loses too. That is why there is a groundswell in British Columbia to roll back lavish subsidies. We can learn from mistakes of other governments. If we wait it out and see how the bidding war shakes down, while building our workforce and infrastructure in the interim, we can build sustainable economy without growing government unnecessarily or introducing subsidies which could become intractable entitlements later.

<sup>23</sup> The Indianapolis Star, February 15, 2008

<sup>24</sup> There is an excellent blog entry from the Hawaii Film Office at <http://hawaii.filmoffice.blogspot.com/> talking about how Hawaii's 15% credit is no longer enough, and now it will need to be raised to compete.

### **PATH FORWARD**

We all agree this is a reasonable goal, so let's study it. Rather than accept the only proposal that was offered, let's decide, what do we want? Then let's figure out how to get there. We don't need to accept what the L.A. film industry wants from the get go. I know everyone yawns at the idea of task forces, but Idaho's did a really good job on this matter, coming up with the following list of state goals<sup>25</sup>:

To research, draft and agree upon policy recommendations and legislation that will foster and encourage the growth of the Film and Media Arts Industry in Idaho and that will be presented to the Governor and the 2006 Idaho Legislature in order to:

- a. Create sustainable film and media industry jobs in Idaho
- b. Encourage people, especially young people, to stay in Idaho to pursue jobs
- c. Keep income in Idaho and generate new income
- d. Expand revenues in Idaho to both the private and the public sectors
- e. Generate additional film and tourism interest in Idaho
- f. Put Idaho on a level playing field for business development in the media industry

### **Other economic development models may be more appropriate than a full-on subsidy, and these should be explored.**

Other more sustainable models, which focus on keeping the wealth in the community, rather than just generating massive activity, may be more appropriate for Alaska. I encourage you to explore these alternative models before concluding that the bill in front of you is a good idea<sup>26</sup>. For example, many other locales are finding success at encouraging entrepreneurs to build infrastructure and take on jobs traditionally performed by non-residents. They are finding that when small business builds from within, it can grow and spill outside the borders of the community, benefiting everyone from the inside out, rather than the outside in.

The goal is good, but you have evaluated no other tool, and other tools could be cheaper, more effective, and have fewer negative side effects. It won't hurt to wait a year too. As Louisiana's experience goes, these subsidies can run into trouble. Let's let the other states who have done this experience the corruption and other problems, and pass a bill once those problems have been solved. We can learn from their mistakes. It is not all-or-nothing. Saying no to this bill is not the end of the world for the film industry. The AFG itself, as a trade association, can take a break from subsidy seeking and develop local initiatives to build infrastructure and train workers first. Alaska's wild places won't go away in the meantime. They will still be here. The value of the dollar might continue to fall, which will have a greater affect on mega-business investment decisions than this bill ever could.

<sup>25</sup> Idaho Film Bureau Film Industry Task Force Report to Director Roger B. Madsen, November 22, 2005

<sup>26</sup> <http://www.safilm.org.za/reading/funding.html>

# 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.<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup>

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

<sup>2</sup> Bill Lindstrom can be reached at (307) 637-4422.

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

**Table 1: 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 McConkle, 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 full time, 1 part time	\$480,000
Texas	Carol Pirla, 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) 828-3618	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	\$350,000
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 McConkle, tourist program manager in the Office of Economic Development (DCED), oversees film development activities.<sup>4</sup> Ms. McConkle 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.<sup>5</sup>

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

Program Components	FY 05	FY 06	FY 07	FY 08
Staff Salary <sup>(a)</sup>	\$ 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
<b>Total</b>	<b>\$26,000</b>	<b>\$20,150</b>	<b>\$32,800</b>	<b>\$33,050</b>

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 McConkle, 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.

<sup>4</sup> Caryl McConkle can be reached at (907) 465-5478.

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

### States with Tradeable Film Tax Credits

Arizona  
Connecticut  
Georgia  
Illinois  
Iowa  
Louisiana



Massachusetts  
Missouri  
New Jersey  
Pennsylvania  
Puerto Rico  
Rhode Island

[Click On State For Info](#)

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



# 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.<sup>1</sup> 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.<sup>2</sup>

From its inception until 1999, the film development program remained in the Division of Tourism.<sup>3</sup> 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

<sup>1</sup> 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).

<sup>2</sup> 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.

<sup>3</sup> According to Phil Bennett, who has worked with the DCCED 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 DCCED. 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.<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup>

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<sup>4</sup> Caryl McConkie, tourism program manager with the Office of Economic Development, DCCED, can be reached at (907) 485-5478.

<sup>5</sup> The Alaska Film Program website can be viewed at <http://www.dcced.state.ak.us/ced7/inv/numm.cfm>

<sup>6</sup> 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 <sup>(a)</sup>	\$ 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
<b>Total</b>	<b>\$26,000</b>	<b>\$20,150</b>	<b>\$32,800</b>	<b>\$33,050</b>

**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 McKonkie, 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.

[<<Back](#)



## Lights, Camera, Alaska



by Bill McAllister  
Tuesday, Feb. 5, 2008

JUNEAU, Alaska -- The recent hit film "Into the Wild" is one of few movies in which Alaska scenes actually were shot here in the state.

Now some lawmakers want to guarantee that the state has sequels to that success.

The recent hit film "Into the Wild" is one of few movies in which Alaska scenes actually were shot here in the state. (Courtesy Paramount)

Senate Labor and Commerce Committee Chairman Johnny Ellis says tax incentives can draw more filmmakers to Alaska and have a major impact in diversifying the economy.



Bob Crockett, a board member of the AK Film Group (Dan Carpenter/KTUU-TV)

Supporters of Ellis' bill say that no place can play Alaska like Alaska.

"Into the Wild," a Sean Penn epic based on the true story of Christopher McCandless, was authentic in its Alaska settings and gave an economic shot in the arm to Cantwell and the Denali Borough.

"They left \$4 million of ground spend in that small community. If you talk to people that worked on that project, particularly during the period of time that they shot it, it was a huge impact to their bottom line," said Bob Crockett, a board member of the AK Film Group.



In another recent hit, the vampire film "30 Days of Night," New Zealand is a stand-in for Barrow. (Courtesy Columbia Pictures)

But "Into the Wild" is not typical. Hollywood has yet to really sink its teeth in here.

In another recent hit, the vampire film "30 Days of Night," New Zealand is a stand-in for Barrow.

And even when the film has Alaska in the title, it probably was shot elsewhere, in this case British Columbia.



Sen. Johnny Ellis, D-Anchorage (Dan Carpenter/KTUU-TV)

Canadian neighbors to the south often are stand-ins for Alaska backdrops for film and production. Right now, there is a production that is set in the town of Sitka, Alaska, that's being filmed in Massachusetts," said Ellis, D-Anchorage. "There will be some photography in Sitka but most of the jobs and economic impact will be the state of Massachusetts."

Ellis' bill would reestablish the Alaska Film Office and provide various tax credits to film and television producers, including 25 percent of expenditure credits against the corporate income tax.

The senator says Alaska is just one of five states that isn't offering breaks to the film industry.

"There's so much conversation about diversifying the economy and not just relying on energy revenues to the state, and this is real money that can be spent here rather than in Vancouver, British Columbia," Ellis said.

Crockett said it comes down to jobs and infrastructure for the state, too.

"It creates an impact for visitors, tourism. There's just a lot of upsides to the bill," he said.

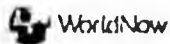
After years of being an understudy to other locations posing as Alaska, the state might finally be ready for its close-up.

"Into the Wild" isn't the only film that used real Alaska locations. So did "Limbo," shot in Juneau a decade ago, and "White Fang," shot in Haines several years before that.

There's also Steven Seagal's "On Deadly Ground."

But more common is the Al Pacino, Hillary Swank and Robin Williams film "Insomnia," set entirely in Alaska but filmed just across the border in British Columbia.

Contact Bill McAllister at [bmcallister@ktuu.com](mailto:bmcallister@ktuu.com)



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National Public Radio  
Day to Day  
November 13, 2007

## 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 Axiom, 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 (Axiom 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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## '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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## 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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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

**L**AST 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

38 FORBES JANUARY 28, 2008

## 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.

**adn.com**

Anchorage Daily News

[Print Page](#) | [Close Window](#)**Bill gives filmmakers incentive to shoot here**  
**HOLLYWOOD'S COLD SHOULDER**

By WESLEY LOY

wloy@adn.com

(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, Ells argues the state gives tax breaks to another rich industry, oil and gas, to try to spur more in-state investment.

Bunde and Ells 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](http://adn.com/contact/wloy) or call him in Juneau at 907-586-1531.

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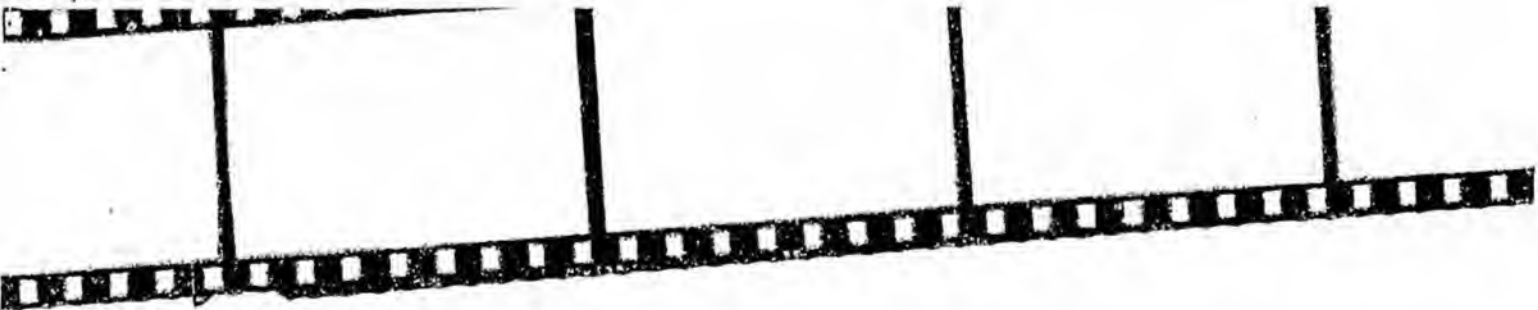
# LIGHTS! CAMERA! ACTION!

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.

Robert Redford in *Charles  
Fleming* on the set of *The Untouchables*  
in Baton Rouge, Louisiana  
© 2007 CSG

Photo Courtesy: *The Film  
Video & Music Office*

By Sujit M. CanagaRetna



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.

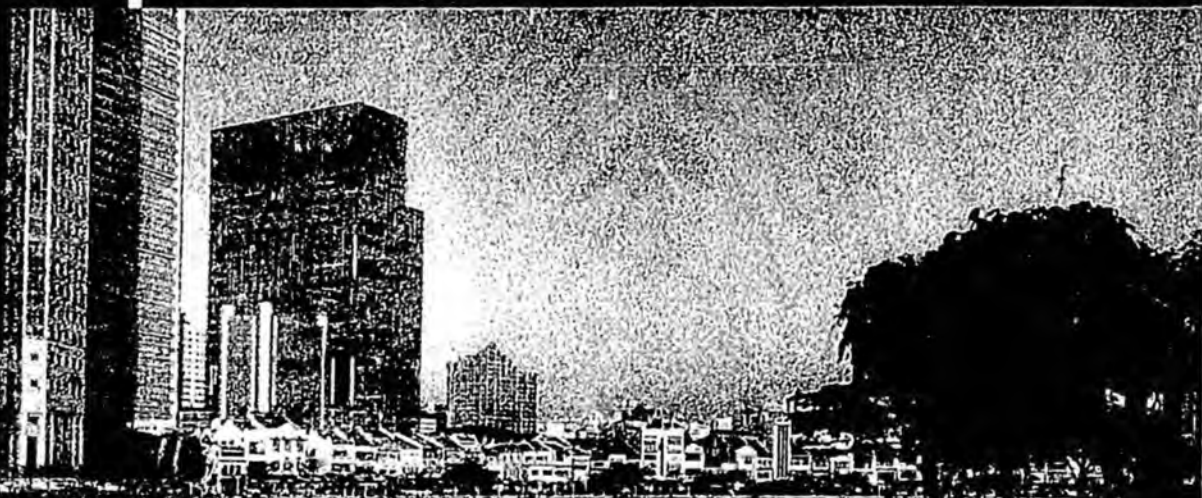
In North Carolina, over a 25-year span from 1980 to 2005, the industry has created more than \$7 billion in revenues for local economies across the state. Georgia is another SLC state where, in 2006, 291 films and videos were produced with a direct value of \$251.1 million, with a total economic impact 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. Canagaratna 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.slatlanta.org/Publications/EconDev/LightsCameraAction.pdf> or e-mail [scanagaratna@csg.org](mailto:scanagaratna@csg.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.html](http://www.ukfilmcouncil.org.uk/filmmaking/filmingUK/taxrelief.html).

#### 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](http://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 75 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](http://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 furthest 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, savannahs, quaint fishing villages, multi-cultural sites, and a variety of architectural styles offer productions a wide scope of filming backdrops.

Email: [info@filmTNT.com](mailto:info@filmTNT.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](http://www.mbfilmsound.mb.ca)

## DOMESTIC

### MISSISSIPPI

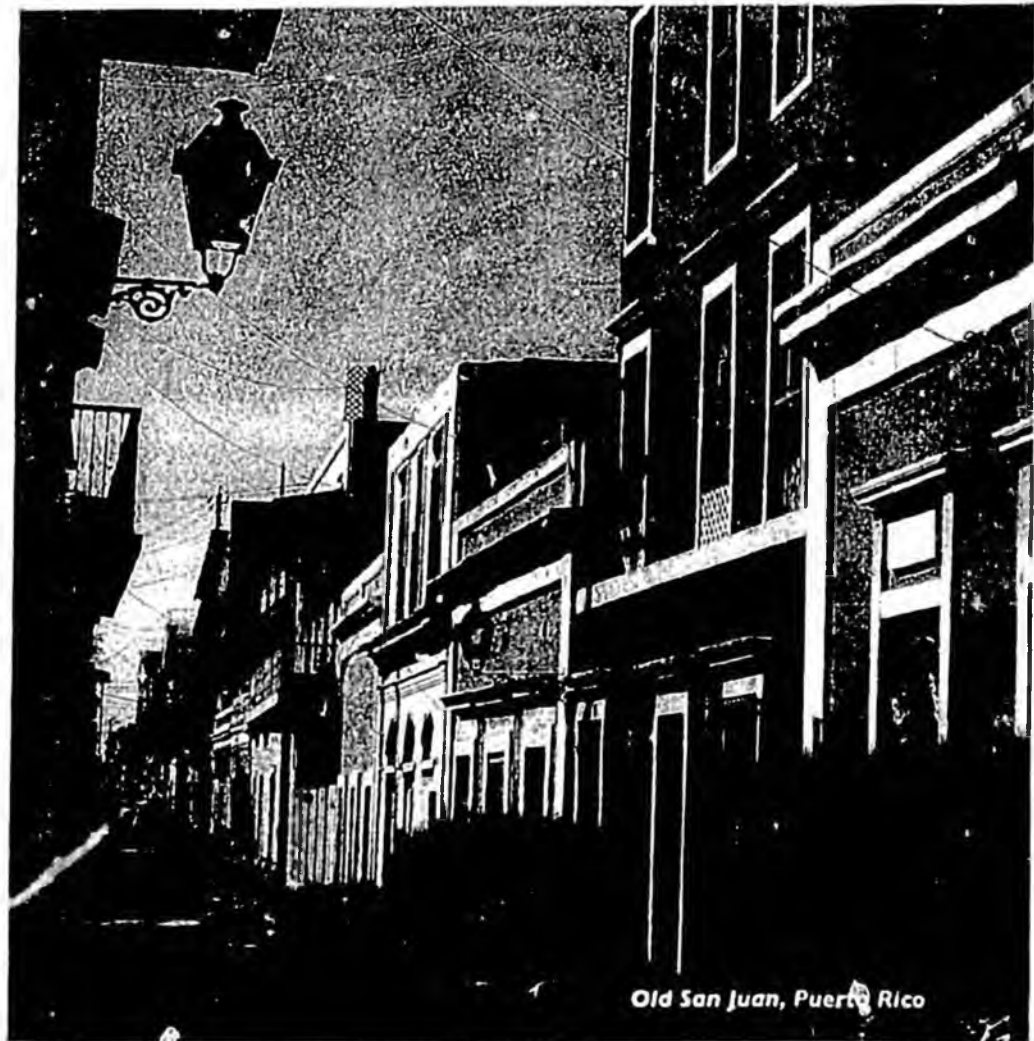
The state's new 2007 incentive program created a 20-30 percent rebate on a production's local spend, including local payroll, and a 10 percent rebate on the wages of non-resident cast and crew whose salaries are subject to Mississippi withholding taxes. There is an additional seven percent sales tax 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 \$176 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 number, 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 BTE positions. In addition to incentives, New Mexico has an exceptional and extensive crew base, dozens of dedicated industry vendors, over 100 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](mailto:ccaraballo@puertoricofilm.com)

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[www.FilmNowMilfordCT.org](http://www.FilmNowMilfordCT.org)

## 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](http://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 01-07-2007)**

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 (includes 10% with post yr.)</small>	5 YEARS	100%	NO <small>See NOTE 1</small>	CORPORATE, INDIVIDUAL	<a href="http://www.aztax.state.az.us/ArizonaTaxpayerStatutes.asp">http://www.aztax.state.az.us/ArizonaTaxpayerStatutes.asp</a>  Title 43, Indiv. Income Tax (Ch. 10) and Corp. Income Tax (Ch. 11)
CONNECTICUT	FILM	30%	UNLIMITED	3 YEARS	100%	NO <small>See NOTE 1</small>	CORPORATE, INDIVIDUAL	<a href="http://www.ct.gov/cfr/2007/ACT/PA/2007PA-00236-000HF-06500-PA.htm">http://www.ct.gov/cfr/2007/ACT/PA/2007PA-00236-000HF-06500-PA.htm</a>  Public Act 07-236
GEORGIA	FILM	9% to 12% <small>labor dependent</small>	UNLIMITED	5 YEARS	100%	YES	CORPORATE, INDIVIDUAL	<a href="http://www.taxcreditllc.com/GA-Law.pdf">http://www.taxcreditllc.com/GA-Law.pdf</a>  Corp, Individual and w/h. 48-2-12 and 48-7-40,28
ILLINOIS	FILM	20% production	UNLIMITED	5 YEARS	100%	NO <small>See NOTE 1</small>	CORPORATE, INDIVIDUAL	<a href="http://www.revenue.state.il.us/Law/reng7.htm#007010101.htm">www.revenue.state.il.us/Law/reng7.htm#007010101.htm</a>  Chapet 201 sections A and B
IOWA	FILM	25%	TBD	TBD	TBD	TBD	ALL TAXPAYERS	<a href="http://www.taxcreditllc.com/IA-Law.pdf">http://www.taxcreditllc.com/IA-Law.pdf</a>
LOUISIANA	FILM	20% to 25%	UNLIMITED	10 YEARS	100%	NO	CORPORATE, FIDUCIARY, FRANCHISE, INDIVIDUAL	<a href="http://www.lafilm.org/images/stories/00%202008%20Film%20Incentive%20Act%201.pdf">http://www.lafilm.org/images/stories/00%202008%20Film%20Incentive%20Act%201.pdf</a>
MASSACHUSETTS	FILM	25%	UNLIMITED	5 YEARS	100%	NO <small>See NOTE 1</small>	ALL TAXPAYERS	<a href="http://www.taxcreditllc.com/MS-Law.pdf">http://www.taxcreditllc.com/MS-Law.pdf</a>  Chapter 62 and 63
MISSOURI	FILM	35%	\$10.5 MILLION	5 YEARS	100%	NO <small>See NOTE 1</small>	CORPORATE	<a href="http://www.moga.state.mo.us/statutes/C100-199/136000750.HTM">http://www.moga.state.mo.us/statutes/C100-199/136000750.HTM</a>  Chaper 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	<a href="http://ls.njleg.state.nj.us/P1_1945_r167/C54-10A-1_et.pdf">http://ls.njleg.state.nj.us/P1_1945_r167/C54-10A-1_et.pdf</a>  Waiting Governor Signature to increase cap to 30 Million
PENNSYLVANIA	FILM	25%	\$75 MILLION	NO	50%	NO <small>See NOTE 1</small>	CORPORATE	<a href="http://www.taxcreditllc.com/PA-Law.pdf">http://www.taxcreditllc.com/PA-Law.pdf</a>
PUERTO RICO	FILM	40%	\$15 MILLION	5 YEARS	100%	NO	CORPORATE	<a href="http://www.taxcreditllc.com/PR-Law.pdf">http://www.taxcreditllc.com/PR-Law.pdf</a>
RHODE ISLAND	FILM	25%	UNLIMITED	3 YEARS	100%	YES	CORPORATE, INDIVIDUAL, PREMIUM	<a href="http://www.rifm.state.ri.us/statutes/TITLE%2044%20RIS.HTML">http://www.rifm.state.ri.us/statutes/TITLE%2044%20RIS.HTML</a>  RI General Laws Title 44, Chapter 11, 14, 17, 20

NOTE 1: CPA and/or Branch must be provided by production company

NOTE 2: Proposed bill awaiting Governor's signature

UPDATED: 01/07/2007

# ALASKA STATE LEGISLATURE

Senate Labor and Commerce  
Committee, Chair

Legislative Budget and Audit  
Committee

Senate Rules Committee

Committee on Committees



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## SENATOR JOHNNY ELLIS SENATE MAJORITY LEADER

My office has received many letters of support for SB230, the Alaska Film Office and Alaska Film Incentive Program. I have included a selection of these in this bill packet, but am happy to provide copies of any or all of them to you if you are interested. A list of the writers with their affiliations and hometowns appears below.

- William and Viola Amberg, Amberg Enterprises, Fairbanks
- Greta Artman, Affinity Films, Anchorage
- Stanley Austin, Anchorage
- Murray Bartholomew, Fishhook Sporting Goods, Anchorage
- Geo Beach, Tempest Studios, Homer
- Mayor Mark Begich, Municipality of Anchorage, Anchorage
- Joel Bennett, Joel Bennett Productions, Juneau
- Kathleen Brady, Scout/Alaska, Anchorage
- Gordon and Rachel Carlson, CLI Construction, Cantwell
- E.M. Casey, Anchorage
- Mike Catsi, Southwest Alaska Municipal Conference, Anchorage
- Dama Chasle, The Incentives Office, Los Angeles, CA
- Paul and Donna Claus, Ultima Thule Outfitters, Eagle River
- Sue Cogswell, Prince William Sound Economic Development District, Whittier
- Bob Crockett, Alaska Film Group and Alaska Locations Inc., Anchorage
- Laura Dagon, Laura Model and Talent Agency, Anchorage
- Eric D'Amario, Redtree Productions, Boston, MA
- Don Fell, Maritime Helicopters, Inc., Homer
- Frank Flavin, Flavin Photography, Anchorage
- Evan Franulovich, Palmer
- Laura Ganis, independent film producer, Anchorage
- Nara Garber, Topiary Productions, Inc., Brooklyn, NY
- Laurence Goldin, Aurora Films, Anchorage
- George Guthridge, University of Alaska Fairbanks Bristol Bay Campus, Dillingham
- Brice Haberberger, Juneau
- Meg Halsey, Moore Huntley Productions, Anchorage
- Marilyn and Pete Heddell, Honey Charters, Whittier
- Christopher Ho, First Catch Films, Bethel
- Bill Holden, Bill Holden Productions, Anchorage
- Bob Hudgins, Texas Film Commission, Austin, TX
- Barbara Huff-Tuckness, Teamsters Local 959, Anchorage
- Dave Hunsaker, screenwriter, Juneau
- Ken Johns, Ahtna Corporation, Gienallen
- Mayor Tim Joyce, City of Cordova, Cordova
- Tom Kahklen-Jones, Anchorage
- Mary Katzke, Affinity Films, Anchorage

- Yael Kaufman, The Alaska Channel, Anchorage
- Greg Kern, Alaska Grip and Lighting, Anchorage
- Deborah King, Kodiak Chamber of Commerce, Kodiak
- Dave Lambdin, Quest Alaska Lodges, Sitka
- Ken Landfield, Homer
- Paul Andrew Lawrence, P.A. Lawrence, LLC., Anchorage
- Robert Leshner, Anchorage
- Sandy Lorrigan, Pat Fager, David Malone, Ron Hauck, Lavonne Grun, and John Litten, Sitka Convention and Visitors Bureau, Sitka
- Heidi Lubke, Anchorage
- Andrew MacLean, filmmaker, Barrow
- Patti Mackey, Ketchikan Visitor's Bureau, Ketchikan
- John Markel, Alaska Film Locations, LLC, Girdwood
- Chris Maynard, Alaska Snow Safaris, Inc., and Glacier Jet Alaska, LLC, Anchorage
- Tim McGhan, McGhan Construction Co. Inc., Big Lake
- Michele Miller, Alaska Moving Image Preservation Association, Anchorage
- Mike Miller, Alaska Wildlife Conservation Center, Portage
- Carolyn Muegge-Vaughan, Alaska Film Group, Anchorage
- Grace P. Olrun, Cup'ik Warrior Productions, Anchorage
- Chris Osowski, Glacier Jet Alaska LLC, Anchorage, Portage, and Palmer
- Lorene Palmer, Juneau Convention and Visitors Bureau, Juneau
- Karen Pearson, Sprocketheads, Inc., Anchorage
- Bill Popp, Anchorage Economic Development Corporation, Anchorage
- Jackie Reed, Jumping Goat Coffee Co., Wrangell
- Carolyn Robinson, Alaska Film Group and Sprocketheads LLC, Anchorage
- Paul Roderick, Talkeetna Air Taxi, Talkeetna
- Steve Rychetnik, Sprocketheads LLC and International Cinematographers Guild Local 600, Anchorage
- Maya Salganek, University of Alaska Fairbanks, Fairbanks
- Chris Scarafie, freelance cinematographer, New York, NY
- Deborah Schildt, Alaska Film Services and Alaska Film Group, Anchorage
- Mayor Fred Shields, Haines Borough, Haines
- George Sikat III, CoCo Media, Inc., Wasilla
- Richard Hamilton Smith, Blue Lake Studios, LLC, Park Rapids, MN
- Dana Stabenow, author, Homer
- Colleen Stephens, Stan Stephens Cruises, Inc., Valdez
- Kelly Stevenson, Glacier Park, Sutton
- Josie Stiles, Nome Convention and Visitors Bureau, Nome
- Joel Summers, ASRC Energy Corp., Anchorage
- Brad J. Swenson, Swenson Media Group, Anchorage
- Matt and Heather Szundy, The Ascending Path, LLC, Anchorage
- Kate Troll, Alaska Conservation Alliance, Anchorage and Juneau
- Mike and Sheryl Uher, North Country Custom Services, Trapper Creek
- John Wedin, Eye-Cue Productions, Anchorage
- Mayor Bob Weinstein, City of Ketchikan, Ketchikan
- Stephanie White, Anchorage
- Brian Williams, 6<sup>th</sup> Avenue Outfitters, Anchorage
- Stephanie Wilson, The Wilson Agency and Anchorage Economic Development Corporation, Anchorage
- Jennifer Wolf, Anchorage
- John Woodbury, Alaska Adventure Media, Anchorage
- Pamela Wrede, Weme Studios, Anchorage
- Shelly Wright, Southeast Conference, Juneau
- Hap Wurlitzer, Hatcher Pass Lodge, Palmer
- Suzi Yoonessi, independent filmmaker, New York City, NY



# Municipality of Anchorage

P.O. Box 196650 • Anchorage, Alaska 99519-6650 • Telephone: (907) 343-1131 • Fax: (907) 343-4499 <http://www.muni.org>

Mayor Mark Begich

Office of the Mayor

February 1, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, AK 99801-1182

Re: SB 230-film production incentive

Dear Senator Ellis:

The City of Anchorage would like to commend you for your introduction of SB 230 which creates transferable tax credits as incentives to bring film productions to Alaska.

I am well aware of the impacts that large film productions can have on a local economy. In November, the Anchorage Convention and Visitors Bureau and the Anchorage Economic Development Corporation joined with AIDEA and the Alaska Film Group to sponsor a one-day workshop regarding the opportunities that could be developed in Alaska by the film industry. It was discovered that what was needed were incentives to put us on a level playing field with other states who have already benefited from the millions of dollars spent in their states by production companies, and SB 230 does just that.

With the release of recent films about Alaska, and the change in the exchange rates in Canada and Europe, some in the film industry are looking North to partake of the wonders that our state has to offer. This will be a welcome break from most films about Alaska which are filmed elsewhere. SB 230 will support the creation of a new industry and new jobs for Alaskans. It could bring millions of dollars into the economies of our communities. And this is new money circulating in the state with very little state support. The multiplier effects of these productions could be long term, creating new businesses, such as tourism-related venues which are operating across the country in the wake of film productions.

Please let me know if there is anything I can do help in this worthwhile endeavor. I look forward to welcoming film productions and the money and jobs they create to Anchorage and to Alaska.

Sincerely,

Mark Begich  
Mayor

*Community, Security, Prosperity*



**AEDC**  
Anchorage Economic  
Development Corporation

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, AK 99801-1182

Re: SB 230-film production incentive


Dear Senator:

The Anchorage Economic Development Corporation (AEDC) supports SB 230 and your efforts to create new jobs and diversify the economy by creating incentives to bring the film industry into Alaska. The Anchorage Economic Development Corporation is a private nonprofit corporation (IRS code 501 (c)(6)), operating since 1987. It exists to encourage growth and diversity in the Anchorage and Alaska economies, promote a favorable business climate and improve the standard of living of Anchorage and Alaska residents.

We think this is a win-win situation for everyone involved. New jobs will be created and money from film productions will flow into our communities presenting new business opportunities.

AEDC wholeheartedly supports SB 230 and its goal of bringing the film industry to Alaska through this incentive program. Thank you for taking this step to draw a new industry to the state.

Sincerely,



Bill Popp  
President & CEO



February 13, 2008

2 page fax

Johnny Ellis  
Senator  
State of Alaska  
State Capitol, Room 9  
Juneau, AK 99801-1182

**Re: SB 230 Film Production Incentive**

Dear Senator Ellis,


The Anchorage Convention & Visitors Bureau (ACVB) Board of Directors unanimously passed the enclosed resolution in support of the Alaska Film Incentive Program.

The language in this legislation, which creates transferable tax credits for corporate taxpayers in Alaska, is of great interest to many of our members. It would help foster the growth of a new, multi-million dollar business in the state that would have many direct and indirect benefits to businesses in all sectors of our economy.

ACVB is the destination management organization for the Municipality of Anchorage and represents more than 1,200 business members throughout Southcentral Alaska. The ACVB Board of Directors endorses the Alaska Film Incentive Program because it will create new jobs for Alaskans. Money from film productions will flow into our Alaskan communities presenting new business opportunities resulting in a positive impact on our economy.

ACVB wholeheartedly supports SB 230 and its goal of bringing the film industry to Alaska through this incentive program. Thank you for consideration in creating a new industry for Alaska.

Sincerely,

  
Julie Saupe  
President & CEO

ANCHORAGE CONVENTION & VISITORS BUREAU  
BOARD OF DIRECTORS

RESOLUTION 2008-02

A Resolution in support of the SB 230 Alaska Film Incentive Program

WHEREAS, Alaskan communities could benefit greatly from large production companies filming in their town with positive financial impacts from the film production felt across the community; and,

WHEREAS, SB 230 will help diversify business opportunities for our state with a very small percentage of capital investment by government and represents a new responsible economic effort to revitalize our economy by employing residents and creating new jobs and businesses in our Alaskan communities; and,

WHEREAS, as the exchange rate for the U.S. dollar slumps and competing states become more creative in luring productions into their communities, film productions are moving from international locations in Canada and Europe back into the U.S.; and,

WHEREAS, all but five other states offer incentives, rebates or low interest rate loans to attract this business because they understand the positive, statewide economic impact the film industry provides to their residents, local businesses and to the visibility of their state by potential visitors. While Alaska unquestionably has unparalleled scenery, due to Alaska's lack of incentive programs, the state is missing out on the multi-million dollar business that other states are enjoying; and,

WHEREAS, SB 230 seeks to even the playing field between the majority of other states and Alaska by establishing a film incentive program to draw film productions to our state; and,

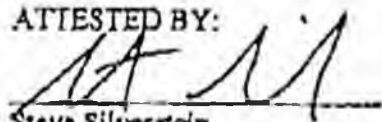
WHEREAS, as a benchmark, prior to passing film incentives, other states, such as Louisiana, had a "ground spend" of \$20 million annually from film production and that amount soared to \$350 million two years after incentive programs were introduced, and is now at a record \$500 million in annual film production spending; and,

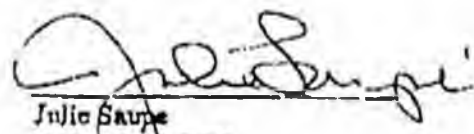
WHEREAS, tax credits will be issued after the production has completed filming in Alaska and only after a thorough audit of those expenses by an independent auditor.

NOW THEREFORE be it resolved that the Board of Directors of the Anchorage Convention & Visitors Bureau strongly supports the development of a film incentive program via SB 230.

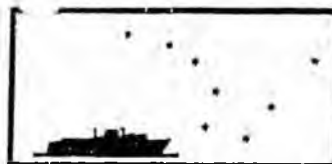
Approved on this, the 8<sup>th</sup> day of February, 2008.

ATTESTED BY:

  
Steve Silverstein  
Chair

  
Julie Saupé  
President & CEO

# SOUTHEAST CONFERENCE



P.O. Box 21989 Juneau, AK 99802-1989 Phone (907) 523-2327 FAX 463-5670

[www.seconference.org](http://www.seconference.org)

February 25, 2008

The Honorable Senator Johnny Ellis  
State Capitol  
Juneau, AK 99811-1182

Re: SB 230-creating film incentives for Alaska

Dear Senator Ellis:

Southeast Conference, whose mission is to undertake and support activities that promote strong economies, healthy communities, and a quality environment in Southeast Alaska, would like to thank you for your support for SB 230 which creates transferable tax credits as incentives to bring film productions to our state.

The time is right for Alaska to begin the process of drawing film makers into our state. In the past few years, many television series and feature films about Alaska have been released to critical acclaim. Unfortunately, the large majority of these productions were filmed in other locations-primarily Canada-instead of in Alaska. With the change in the exchange rates, film productions are now looking to the US for locations for features formerly shot in Europe and other countries.

Over 40 states currently have an incentive program of some type on their books, as they understand the economic benefit that this multi-million dollar industry brings to their states. Alaskan communities could benefit economically from film production companies filming in their towns. The positive financial impacts from these productions are felt in many business sectors. This includes the restaurants, caterers and hotels, car and equipment rental companies, airlines and freight expeditors, as well as locals who are hired as crew and extras. However, because of the aggressive rebate incentive programs and marketing by other states, and the lack of a film incentive program in Alaska, we are seeing only a small fraction of these potential production benefits.

I'm sure you have seen the recent data suggesting that SE Alaska will experience a large downward shift in population over the next decade. This is primarily due to the lack of high paying jobs. SB 230 will support the creation of a new industry and good paying jobs for our residents. We can employ the people who already live here and entice our children to remain in Alaska instead of heading to the Lower 48 in search of fulfilling careers.

Thank you again for your sponsorship of SB 230. With passage of this legislation, Alaskans can benefit from new jobs and the business opportunities that come with welcoming this multi-million industry to our state.

Sincerely,

Shelly Wright  
Executive Director

Cc: SE Legislators



Southwest Alaska Municipal Conference

3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 f: 907.562.0438  
www.swamc.org

Alaska Peninsula  
Aleutian Cham  
Bristol Bay  
Kodiak Island  
Pribilof Islands

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, AK 99801-1182

Re: SB 230 - Film Production Incentive

Dear Senator Ellis:

The Southwest Alaska Municipal Conference supports SB 230 and your efforts to create new jobs and diversify the economy by creating incentives to bring the film industry into Alaska. SWAMC is an ARDOR and an Economic Development District for southwest Alaska and an advocate for the sustainable and responsible development of the region with the goal of creating wealth and raising the quality of life for our residents.

The language in this legislation which creates transferable tax credits for corporate tax payers in Alaska is of great interest to us. This legislation will allow Alaska to compete with other states for our share of film, television, and advertising industry. By authorizing a 25% transferable tax credit this bill gives additional incentives for productions that use local hire, are filmed in rural areas of the state or produced during the shoulder seasons, October-April.

By establishing a film production internship training program within the University, our young Alaskans can become skilled in well-paying film production jobs to keep them living and working in our state. SWAMC also supports increasing the duties for the film office as the State of AK promotes our state and communities as film production sites.

We think this is a win-win situation for everyone involved. New jobs will be created and money from film productions will flow into our communities presenting new business opportunities. SWAMC supports SB 230 and its goal of bringing the film industry to Alaska through this incentive program. Thank you for taking this step to draw a new industry to the state.

Sincerely,  
SOUTHWEST ALASKA MUNICIPAL CONFERENCE

Michael Catsi  
Executive Director



February 22, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, AK 99801-1182

Re: SB 230-film production incentive

Dear Senator Ellis:

The Juneau Convention & Visitors Bureau (JCVB) supports SB 230 and your efforts to create new jobs and diversify the economy by creating incentives to bring the film industry into Alaska. The Juneau Convention & Visitors Bureau is a destination marketing organization with 290 business members. Our organization mission is to promote Juneau as a visitor destination. While a great film may inspire travelers to visit movie locations, it has more direct and measurable benefits for the local businesses that provide support services during the filming process.

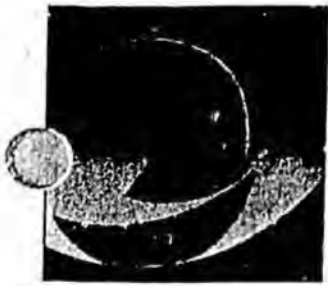
The language in this legislation, which creates transferable tax credits for corporate tax payers in Alaska, would be of great interest to local businesses. And it would help to foster the growth of a new, multi-million dollar business in the state that would have many direct and indirect benefits to the visitor industry and other sectors of Alaska's economy.

SB 230 will help make Alaska more competitive in attracting film production business and create new jobs and business opportunities.

The JCVB supports SB 230 and its goal of bringing the film industry to Alaska through this incentive program. Thank you for taking this step to draw a new industry to the state.

Sincerely,

Lorene Palmer  
President/CEO



prince william sound  
**ECONOMIC  
DEVELOPMENT  
DISTRICT**

Chenega Bay

Cordova

Tatitlek

Valdez

Whittier

February 10, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, Alaska 99801-1182


RE: SB 230-Film Production Incentive

Dear Senator Ellis:

Prince William Sound Economic Development District support SB 230 and your efforts to create new jobs and diversity in the Alaska economy by creating incentives to bring the film industry into our state. PWSEDD is one of four federal Economic Development Districts in Alaska, and a member of ARDOR. Our mandate is to increase economic development, workforce development, educational opportunities for those living in our region, and in general, improve quality of life for those in the five communities of Prince William Sound.

Encouraging the film industry to work in Alaska will be a great benefit to the State. New job opportunities, support for existing economics, and promoting the phenomenal scenic beauty in Alaska will certainly increase tourism, as well. Thank you for your leadership in this important matter.

Sincerely,

  
Sue Cogswell  
Executive Director

ALASKA REGIONAL DEVELOPMENT ORGANIZATION

2207 Spelman Rd., Suite 207 • Anchorage, Alaska 99503 Phone (907) 222-7440 • FAX (907) 222-2411 • Cell (907) 223-7672 • Email: pwsedd@pci.net



February 20, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, AK 99801-1182

Re: SB 230-Film Production Incentive

Dear Senator Ellis:

The City of Nome, Nome Convention and Visitors Bureau supports SB 230 and your efforts to create new jobs and diversify the economy by creating incentives to bring the film industry into Alaska. The Nome CVB helps promote Nome and Alaska as a visitor destination and operates the Nome Visitors Center year-round. We do all we can to make everyone's visit quality and successful.

The language in this legislation which creates transferable tax credits for corporate tax payers in Alaska is of great interest to our community. We also know that doing business in Alaska is costly. And it would help to foster the growth of a new, multi-million dollar business in the state that would have many indirect benefits to tourism and to our community.

We think this is a win-win situation for everyone involved. New jobs will be created and money from film productions will flow into our communities presenting new business opportunities for tourism. Most importantly, television programs, commercials and feature films about Alaska will be the real Alaska.

The Nome Convention & Visitors Bureau totally supports SB 230 and its goal of bringing the film industry to Alaska through this incentive program. Thank you for taking this step to draw a new industry to the state.

"There's No Place Like Nome!"

Respectfully,

Josie Stiles  
Director



# KODIAK CHAMBER OF COMMERCE

100 E. Marine Way, Suite 300, Kodiak Alaska 99615 • (907) 486-5557 • FAX: (907) 486-7605  
www.kodiak.org • Email: chamber@kodiak.org

February 21, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, AK 99801-1182

Re: SB 230-film production incentive

Dear Senator:

The Kodiak Chamber of Commerce supports SB 230 and your efforts to create new jobs and diversify the economy by creating incentives to bring the film industry into Alaska. Kodiak has attracted the interest of many film groups over the years, ranging from television documentaries to major motion pictures. Unfortunately, without support from the state in the form of tax credits and a statewide film office, the community has missed opportunities with film companies that could bring new dollars to the economy.

The film *The Guardian* is a good example of how, in spite efforts of the local visitor bureau and many in the film industry in Alaska, there just wasn't enough incentive to bring the main filming to Alaska. Some scenic footage was shot in Kodiak over a period of a few days, a small drop in the economic bucket when compared to the millions pumped into the Shreveport, LA economy.

The passing of this legislation would create transferable tax credits for corporate tax payers in Alaska which would be of great interest to some of our members. It would also foster the growth of a new, multi-million dollar business in the state that would have many indirect benefits to tourism and to our local business community.

We think this is a win-win situation for everyone involved. New jobs would be created and money from film productions would flow into our communities resulting in new business opportunities.

The Kodiak Chamber of Commerce wholeheartedly supports SB 230 and its goal of bringing the film industry to Alaska through this incentive program. Thank you for taking this step to draw a new industry to the state.

Sincerely,

Debora King  
Executive Director

Cc: Senator Gary Stevens



## KETCHIKAN

Our lifestyle, your reward

March 9, 2008

The Honorable Kyle Johansen  
House of Representatives  
Alaska State Capitol  
Juneau, Alaska 99801-1182

Dear Representative Johansen,

I am writing to ask for your vote in support of Senate Bill 230. Since becoming the director of the Ketchikan Visitors Bureau over 12 years ago, I have had many contacts with location managers and production staff for film and television, and have hosted scouting trips for these companies. Examples of some of the major films we have been in contact with include:

Insomnia- asked for brochures to make it look like an Alaskan visitor center but filmed primarily in Stewart BC and other Canadian locations.

Limbo- scouting trip, did film some scenes near Juneau.

Snow Falling on Cedars- 3 scout trips, producers and community meeting to discuss project. The producers eventually determined to use a site in Washington instead of Ketchikan. The movie was filmed predominantly in British Columbia.

Additionally we have worked with film crews from television shows like Wheel of Fortune, Baywatch and the International Lumberjack sports series as well as a variety of U.S. and internationally produced documentaries that have been filmed in and around Ketchikan.

Film offices are traditionally linked with tourism offices in other states, and up until about seven years ago, Alaska had a film office. Unfortunately it dwindled down to nothing due to a lack of funding. Tourism benefits greatly from the interest generated by film productions when shot on location and Alaska most certainly has the visual appeal that not only interests producers but will resonate with potential travelers.

I look forward to your support of this bill. Thank you.

Sincerely,

Patti Mackey  
Executive Director

C: Senator Johnny Ellis

# CITY OF CORDOVA



March 6, 2008

Representative Bill Thomas  
State Capitol Room 434  
Juneau, AK 99811-1182

Re: SB 230-creating film incentives for Alaska

Dear Representative Thomas:

As Mayor of the City of Cordova, I would like to ask for your support for SB 230 which creates transferable tax credits as incentives to bring film productions to Alaska.

The time is right for Alaska to begin the process of drawing film makers into our state. In the past few years, many television series and feature films about Alaska have been released to critical acclaim. Unfortunately, the large majority of these productions were filmed in other locations-primarily Canada-instead of in Alaska. With the change in the exchange rates, film productions are now looking to the US for locations for features formerly shot in Europe and other countries.

Over 40 states currently have an incentive program of some type on their books, as they understand the economic benefit that this multi-million dollar industry brings to their states. Alaskan communities could benefit economically from a large production company filming in their towns. The positive financial impacts from film productions are felt across the community. This includes the restaurants, caterers and hotels, car and equipment rental companies, airlines and freight expeditors, as well as locals who are hired as crew and extras. However, because of the aggressive rebate incentive programs, marketing by other states and the lack of a film incentive program in Alaska, we are seeing only a small fraction of these potential production benefits.

Please support SB 230 so that Alaskans can also benefit from new jobs and the business opportunities that come with welcoming this multi-million industry to our state.

Sincerely,

Timothy L. Joyce, Mayor

Cc: Senator Johnny Ellis  
Senator Albert Kookesh

January 29, 2008

Senator Johnny Ellis, Chairman  
Senate Labor & Commerce Committee  
State Capitol  
Juneau, AK 99811-1182

Re: SB 230 - Alaska Film Incentive Program

Dear Senator Ellis:

On behalf of the board of the Sitka Convention & Visitors Bureau (SCVB), we strongly support SB 230 to establish an Alaska Film Incentive Program.

Our city recently lost the opportunity to film a major motion picture that featured Sitka as part of its storyline. Another state, Massachusetts, was chosen because of existing film incentives. The pre-production team considered filming in Sitka, but chose the State of Massachusetts instead because they were offered a film incentive. The absence of Alaskan film incentives resulted in a significant loss to our community. A film of this magnitude would have contributed significantly to jobs, goods and services, housing, air and marine transportation, as well as marketed Sitka for decades after being produced.

The State of Alaska is one of a few states that does not have a state film office or film incentive program. We are losing opportunities to pursue and influence interested film companies to choose Alaska. Instead, surrounding regions or other states with incentive programs are selected by the lucrative film industry. A state film office could provide information on our state's needed film incentives, permitting process, familiarization trips, education and other necessary coordination with agencies, contractors and businesses.

Senator Ellis we encourage your sponsorship of SB230 for the State of Alaska to compete in the film industry market and bring diversity to our economic strength.

Respectfully Submitted:

Pat Fager (Chair), David Malone (Vice Chair), Ron Hauck,  
Lavonne Grun, and John Litten

By:



Sandy Lorrigan, Executive Director  
Sitka Convention and Visitors Bureau



SITKA  
CONVENTION AND  
VISITORS BUREAU

P.O. Box 1226  
Sitka, Alaska 99835  
Ph:(907)747-5940  
Fax:(907)747-3739  
scvb@sitka.org  
www.sitka.org



## HAINES BOROUGH, ALASKA

P.O. BOX 1209 • HAINES, ALASKA 99827  
Administration 907.766.2231 • (fax) 907.766.2716  
Tourism 907.766.2234 • (fax) 907.766.3155  
Police Dept. 907.766.2121 • (fax) 907.766.2128  
Fire Dept. 907.766.2155 • (fax) 907.766.3373

February 1, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, AK 99801-1182

Re: SB 230 - film production incentive

Dear Senator Ellis:


The Haines Borough appreciates your sponsorship of SB 230 which creates transferable tax credits as incentives to bring film productions to Alaska.

Film productions can positively affect a community. In the early 1990's, Disney filmed *White Fang* within the Haines Borough, and our local economy experienced a significant boost. Additionally, we have benefited from documentary projects that have occasionally been filmed here. We still get inquiries from large film companies because of the scenery and wildlife we have to offer, but the reality of the high costs of filming in Alaska undoubtedly contributes to alternate location decisions. I believe the proposed tax credit incentives in SB 230 would help to put us on a level playing field with other states that already benefit from the millions of dollars spent by production companies.

With the release of recent films about Alaska and the more favorable exchange rates, perhaps even the international film industry will become more interested in Alaska productions. How refreshing it would be to have a film about Alaska actually filmed here! SB 230 will support the creation of a new industry and new jobs for Alaskans. It could bring millions of new dollars into the economies of our communities with very little state support.

Please let me know if there is anything I can do to help in this worthwhile endeavor. I look forward to welcoming more film productions to Haines and Alaska, along with the money and jobs they will create.

Sincerely,

  
Fred Shields  
Mayor



STATE OF TEXAS  
OFFICE OF THE GOVERNOR  
TEXAS FILM COMMISSION

RICK PERRY  
GOVERNOR

February 12, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, AK 99810-1182

Dear Senator Ellis:

I understand from Dama Chasle that the State of Alaska is considering a financial incentive program for motion picture production. Dama has asked for my input, and as I'm sure that Alaska and Texas will not be vying for the same film projects, I'm happy to share our experiences in the incentive area.

The hard fact is, financial incentives have changed the way that filming decisions are made. States without incentives face overwhelming competition from incentivized locations. Even Texas, with its diversity of locations, resident film workforce, specialized film vendors and long filmmaking history, has already lost the lion's share of our business to New Mexico and Louisiana. Back when we had to tell producers that Texas had no incentive program at all, believe me, it was very hard to even keep the conversation going. Texas' cash-back program began only last year, but it's already clear that 5% is not enough; our neighboring states offer five times that amount. We will approach our own legislature in the upcoming session with the message that Texas won't be able to effectively compete without putting a more generous program in place.

As you know, Alaska already faces aggressive and long-established film financial incentives from provincial and federal governments in Canada. As long as Alaska has no incentive program, a producer looking for an "Alaska" location will do their best to find it in Canada instead. I do think that the proposed 30% incentive would have an immediate, demonstrable and positive effect on film dollars coming into Alaska. On-location filming brings numerous benefits without impacting the environment or requiring infrastructure, but the best benefits of all are in the local jobs created and the support of small businesses.

I wish Alaska much success.

Sincerely,

A handwritten signature in black ink that reads "Bob Hudgins".

Bob Hudgins  
Director

cc: Governor Sarah Palin



February 1, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol  
Juneau, AK 99801-1182

Re: SB 230-film production incentive

Dear Senator:

Ahtna Incorporated supports SB 230 and your efforts to create new jobs and diversify the economy by creating incentives to bring the film industry into Alaska. Ahtna Incorporated is an Alaska Native Regional Corporation formed under ANCSA. The Ahtna region includes eight (8) Federally Recognized Tribes all located in rural Alaska.

The language in this legislation which creates transferable tax credits for corporate tax payers in Alaska is of great interest to us. Our corporation can receive tax benefits while helping to foster growth of new, multi-million dollar business in the state.

We think this is a win-win situation for everyone involved. New jobs will be created and money from film productions will flow into our communities presenting new business opportunities. In addition, Ahtna has experience working with the film industry. A large part of the production of the film "Into the Wild" was filmed on Ahtna lands in the Cantwell area. This production provided jobs for many of our shareholders and the community at large for several months including during the winter season which also boosted the economy for the community's local businesses. As you know, employment in rural Alaska is very limited at any time of year and any opportunity to provide employment for the local residents is worthwhile in pursuing.

Ahtna Incorporated wholeheartedly supports SB 230 and its goal of bringing the film industry to Alaska through this incentive program. Thank you for taking this step to draw a new industry to the state.

Sincerely,

Ken Johns, President/CEO

P.O. Box 649 • Glennallen, Alaska 99588  
Phone: (907) 822-3476 • Fax: (907) 822-3495

January 24, 2008

Senator Johnny Ellis, Chairman  
Senate Labor and Commerce Committee  
State Capitol of Alaska  
Juneau, Alaska 99801-1182

Re: SB 230- Film production incentive

Dear Senator Ellis,

I work for ASRC Energy and support SB 230 and your efforts to stimulate the economy and in the process create valuable jobs for the State of Alaska. ASRC Energy is a diversified Native Corporation dealing mainly with oil and gas issues here in the state. We currently employ over six thousand workers around the state and the lower forty eight.

The language in this piece of legislation which creates transferable tax credits for corporate tax payers in Alaska can be a very valuable tool for the company to use in the future. Under this legislation, the corporation can receive tax benefits while helping to foster the growth of a new, multi million dollar business. I really believe it can help rural areas and provide much needed income in the future.

This can definitely prove to be a win-win situation for everyone involved. The film production companies can create new jobs, international exposure for Alaska and a stimulus to both urban and rural areas of the state in the form of new business opportunities.

Again your support on this valuable piece of legislation and the goal of bringing the film industry to Alaska is commendable. I'm sure I can speak for every person here at ASRC Energy in wanting to see this legislation pass. Thank you for taking the initiative to draw a new and innovative industry to the state. This is long overdue.

Sincerely,

Joel L. Summers  
CRP Manager



January 30, 2008

Senator Johnny Ellis  
716 W. 4<sup>th</sup> Ave. Suite 440  
Anchorage, Alaska 99501-2133

Re: Alaska Film Incentive Program

Dear Senator Ellis,

The Alaska Film Group (AFG), a nonprofit trade association, wholeheartedly supports SB 230 establishing a film incentive program to draw feature film and TV productions to Alaska. This legislation allows us to compete with other states for our share of this multi-million dollar, green, international industry.

AFG was formed to:

- Create economic opportunities in the film business for our membership;
- Provide educational forums for the improvement of our craft;
- Be a voice for the film and video industry of Alaska.

Although our members provide support services for film crews who come to Alaska to shoot, we are missing out on major production work that could come to Alaska if we had an incentive program to draw productions to our state. Simply put, without a film incentive, Alaska is not even a consideration.

In addition to our AFG crew-members, Alaskan communities could benefit greatly from a large production company filming in their town. The positive financial impacts from film production are felt across all communities. This includes restaurants, caterers, hotels, car and equipment rental companies, airlines and freight expeditors, as well as locals who are hired as crew and extras. However, because of the aggressive rebate incentive programs and marketing by other states and the lack of a film incentive program in Alaska, we are seeing only a small fraction of these potential production benefits.

While Alaska unquestionably has unparalleled scenery, due to our lack of incentive programs, we are missing out on the multi-million dollar business that other states are enjoying. Alaska is currently one of only five states not offering rebates or incentives. As the exchange rate for the U.S. dollar slumps and competing states become more aggressive in luring productions to their communities, film productions are moving from international locations in Canada (our biggest competitor) and Europe back into the U.S. Other states offer incentives, rebates, or low interest loans to attract this business because they understand the positive, statewide economic impact the film industry provides to their residents, local businesses and to the visibility of their state by potential visitors.

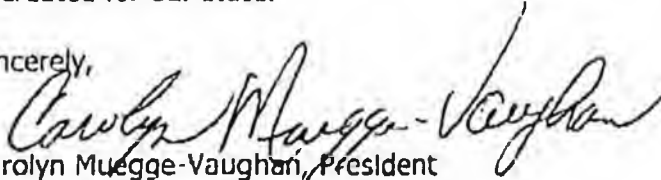
Alaska is missing out on this economic windfall. Television programs, commercials and feature films that are made about Alaska - or made to look like Alaska - are being filmed elsewhere. As a benchmark, prior to passing film incentives, other states, such as Louisiana, had a "ground spend" of \$20 million annually from film production. That amount soared to \$350 million two years after incentive programs were introduced, and is now at a record \$500 million in annual film production spending.

Because AFG is motivated to bring Alaska into the 21<sup>st</sup> century in terms of competing in this multi-million dollar market, on November 9th we held a technical and financial workshop on creating a film incentive program for Alaska. The workshop featured leaders in the film production accounting business and recognized as specialists in tax incentive development. The workshop was well attended by a diverse group of Alaskans including elected officials, directors of chambers of commerce and convention and visitor bureaus, the Governor's office and administration officials, legislative aides and representatives from the film and tourism industries.

The workshop was co-sponsored by the Alaska Industrial Development and Export Authority (AIDEA), Anchorage Economic Development Council (ADEC) and the Anchorage Convention and Visitors Bureau (ACVB). We have had additional meetings since November with these groups and other individuals, and know that we have a strong core group of interested Alaskans who see the value to the state and its businesses of creating a film incentive program to lure more filming here.

Thank you, Senator, for your interest in creating an Alaska Film Incentive Program. Our group stands ready to assist you in any way as a new, green multi-million dollar business opportunity is created for our state.

Sincerely,

  
Carolyn Muegge-Vaughan, President  
Alaska Film Group

 **Alaska  
Locations, Inc.**  
SCOUTING ▲ MANAGEMENT ▲ LOGISTICS

1-800-770-8502  
Voice: 907-783-2143  
Fax: 907-783-2625  
Mobile: 907-223-3740  
film@alaska.net

Senator Johnny Ellis, Chairman  
Senate Labor & Commerce Committee  
State Capitol  
Juneau, AK 99811-1182

PRODUCTION  
MANAGEMENT

LOCATION  
MANAGEMENT

LOCATION  
SCOUTING

LINE  
PRODUCER

CASTING,  
PERMITS, CREW

SNOWFIELDS  
YEAR-ROUND

WILDLIFE,  
MARINE LIFE

RENTAL  
EQUIPMENT

GLACIERS,  
ICEBERGS

PERIOD  
BUILDINGS

WILDERNESS ROADS  
& HIGHWAYS

HELICOPTERS

SKI PLANES

SEA PLANES

DOG TEAMS

WATERFALLS

AND MORE

Re: SB 230 - Alaska Film Incentive Program


Dear Senator Ellis,

Alaska Locations, Inc. is a Film Production Service based in Anchorage whose livelihood depends greatly on the health of our industry in state as well as around the globe. I work primarily on those productions originating from cities outside of Alaska looking for unique film locations, crew, vendors and logistical support.

Being involved in Alaska's film industry for nearly 30 years has been both rewarding and challenging. Through the years I've seen a number of qualified crew people leave the state because of the lack of sustainable year round employment in this industry. The bill will reverse that trend. An opportunity now exists for this industry to take a huge leap forward with legislation that you've introduced. SB 230 provides the opportunity for incredible growth in our crew base (jobs), infrastructure and exposure of our great state to the world. We've seen, and I've worked on recent productions that have revealed our magnificent state to the viewing audience both on television and in theaters. Most recently, Transformers, Amazing Race, Mythbusters, Into the Wild, and others have all contributed to Alaska's economic well being while focusing attention on the grandeur of Alaska. With SB 230 we will see Alaska's film industry grow exponentially and in turn create economic growth in many facets of our economy.

I would like to take this opportunity in thanking you for having the foresight to introduce this legislation and the understanding of what it means to diversify our economy and create jobs for Alaskans.

Sincerely,



Bob Crockett  
Alaska Locations, Inc.



PO Box 73  
Talkeetna, AK 99676  
(800) 533-2219 Toll Free  
(907) 733-2218 Phone  
(907) 733-1434 Fax  
<http://www.talkeetnaair.com> Web  
[info@talkeetnaair.com](mailto:info@talkeetnaair.com) E-mail

January 29, 2008

Senator Johnny Ellis, Chairman  
Senate Labor & Commerce Committee  
State Capital  
Juneau AK 99811-1182

RE: SB230-.Alaska Film Incentive Program

Dear Senator Ellis,

This is Paul Roderick, president of Talkeetna Air Taxi Inc.

We as a company see the potential this state has to offer in the film and television industry and so far we have only scratched the surface. The film industry spreads economic value in many sectors of the economy. Our company specializes in remote location access and would benefit tremendously if there were state incentives to motivate the film industry to our unique state. There is a lot of competition out there and if we were to have an edge, it would greatly help.

Kudos to John Ellis for sponsoring SB230.

Onward and upward,

Paul Roderick  
President

# GLACIER

Alaska.com

6543 Brayton Drive Suite A  
Anchorage, Alaska 99507  
907-868-9669

January 24, 2008

Senator Johnny Ellis, Chairman  
Senate Labor & Commerce Committee  
State Capitol  
Juneau, AK 99811-1182

Re: SB 230- Alaska Film Incentive Program

My name is Chris Maynard and I am a life long Alaskan who owns and operates three different tourism business year round. In the winter months I am the President of Alaska Snow Safaris, Inc. specializing in backcountry snowmobile adventures and rentals. We also do ATV adventures and rentals in the summer months. I also co-own Glacier Jet Alaska with three other Alaskan partners which specializes in jetboat tours in south central Alaska.

All of these businesses have been involved in employing up to 10 employees seasonally and over 3 year round employees. The small amount of work we have done with the film industry has greatly impacted our businesses and employees.

In the last 10 years I have worked with CBS, Fox, Discovery Channel, Travel Channel, ESPN, several different commercials, Miramax films, MGM films, United Artists films, and many more. This industry is very interested in Alaska but I understand that it is more affordable and easier to obtain permits to film in Canada then Alaska. As an Alaskan this upsets me very much and I feel that if we can make it more affordable and attractive for the industry to do business here, it will have a large financial impact on our state and to our company.

I support your SB 230 and thank you for taking the time to sponsor this very important bill to Alaska and Alaskan's.

Best regards,



Chris Maynard  
President  
Alaska Snow Safaris, Inc.  
Glacier Jet Alaska, LLC



February 1, 2008

RE: SB 230 - Alaska Film Incentive Program

Senator Johnny Ellis, Chairman  
Senate Labor & Commerce Committee  
State Capitol  
Juneau, AK 99811-1182

Dear Senator Ellis,

We are Alaskan business and property owners. Our company, Amberg Enterprises holds various pieces of investment properties throughout the state, as well as multi-faceted construction and agricultural businesses.

We would like to see SB 230 succeed. This bill will serve a two-fold purpose; not only will it diversify Alaska's economy, but this bill will afford Alaska the much needed press in the national and international tourism market. This bill finally allows the opportunity for Alaska's beauty to be readily accessible to the world's leading marketing professionals - the film industry.

As the former Sales Manager of the Valdez Convention & Visitor's Bureau, Viola has seen first-hand the benefits imparted by the countless opportunities brought into Alaska by the film industry.

Please ensure the passage of this bill - as it will allow our great state to realize its full potential.

Thank you for your support!

Sincerely,

William & Viola Amberg  
Amberg Enterprises



# ULTIMA THULE OUTFITTERS

INTO THE THULES

February 15, 2007

TO: The Honorable Johnny Ellis

Dear Senator Ellis,

We are the owners of an air taxi operation and a fly-in lodge in the Wrangell Mountains. Four generations of our Alaskan family have been involved in the building of this business since 1958. 100% of our income is derived from our lodge and air taxi. We commercial fished for years in Bristol Bay and used the profits from that to develop our lodge. We sold our permit about ten years ago and now depend on the tourism completely.

Through the years we have seen tourism ebb and roar ahead. We have seen great state support and a jump in tourism and then state abandonment and the subsequent down turn in our business. We have experienced changes in what we offer as we try to capture a share of the market. We have had tourists from 56 foreign countries in our lodge. We have seen money fluctuations change the make-up of our visitors and we have grown and expanded to meet the demands of the public. We have been part of at least 300 film and TV projects through the years and it has become the mainstay (60%) of our business. Last year alone we were involved in fifteen productions, two of which will be huge for Alaska and our economy.

Beginning April 22 on Discovery Channel right after "Deadliest Catch" a nine part series begins called "The Alaska Experiment". They are predicting it will be as popular as the "Deadliest Catch". If it is, they will pour money into our economy to produce many more years of the program. Last year, this program alone brought several million dollars to the state. Many different folks from gas stations to Fred Meyers employees were positively affected by this program alone. We were able to keep our employees working for a additional four months this year due to film projects. That is effecting a lot of families and making life a lot sweeter for them.

If the state steps in and helps make it easier for the movie industry to operate up here everyone will be a winner. We have had great experiences with the majority of projects. They leave their money, advertise our state for tourism for free and do not adversely affect this great land.

Thank you for your support of SB 230, anything we can do to help make film people think of us first and then come is positive for our entire state.

Sincerely,

Paul and Donna Claus



**Stan Stephens Cruises, Inc.**  
PO Bo x1297  
Valdez, AK 99686

January 23, 2008

RE: SB 230

To Whom It May Concern:

I am writing you this letter urging you to pass SB 230.

Our family business, Stan Stephens Cruises, Inc., is primarily a tourism business operating glacier and wildlife cruise in Prince William Sound May through September. However during our "off season" we have often become the beneficiaries for the Alaska film industry by supporting crews shooting movies and commercials.

The business that we have received from partnering with the film industry has allowed us to lengthen our operating season, therefore employing Alaskans for a longer period of time. In addition we with each charter we have increased our spending with other business in our area since we have had to supply our vessels with food, hardware and fuel.

The secondary benefit and possibly more beneficial aspect of recruiting film projects to Alaska is the exposure our State receives. With each image of Alaska in the market via commercials and film features we plant a seed of curiosity in the mind of perspective travelers to Alaska which ultimately supports the marketing dollars that the Alaska Travel Industry Association and local Convention and Visitors Bureaus invest in attracting visitors to Alaska.

We need to do as much as we can as Alaskans to encourage the film industry to look North to Alaska and consider our great State as a location for features and commercials. Thank you for supporting SB 230.

If you have any questions please feel free to contact me at any time.

Sincerely,

Colleen Stephens  
Vice President  
colleen@stephenscruises.com

**CLI Construction**  
Cantwell, Ak.  
*Native Owned & Operated*

Senator Johnny Ellis, Chairman  
Senate Labor & Commerce Committee  
State Capitol  
Juneau, AK 99811-1182

RE: SB 230- Alaska Film Incentive Program

Senator Ellis,

I would like to start by introducing ourselves, Gordon & Rachel Carlson, we reside in Cantwell, AK, and we own a small construction company, CLI Construction located in Denali Borough.

We encourage you to vote for the passage of SB 230, the incentives to bring the film industry to Alaska; many movies are made outside of Alaska whose location should be in Alaska. In those locations they encourage the film industry by incentives & tax breaks.

We need to encourage the film industry to come to Alaska, This would boost our economy, put people to work and give people the visual education of what Alaska actually really looks like. Alaska's tourism industry would also benefit greatly from this.

Our experience in the film "Into the Wild" brought millions of dollars to our borough let alone our little community of Cantwell, It affected our small construction company business, local restaurants, hotels, motels, carpenters, laborers and let alone what it did for the car rental companies in Anchorage. The timing of this movie was really shot in the arm because of when they choose to start filming in April a really boost to the start of the construction and tourist season, having movies film in Alaska will encourage more people to come visit our state to see where some of the these movie are film at.

We all look to our Senators and Representatives to make the best decisions for Alaska and we feel the passage of SB 230 would be an asset to our state,

Sincerely,  
Gordon & Rachel Carlson  
CLI Construction  
P.O. Box 191  
Cantwell, Alaska 99729  
907-768-2008

PO Box 191  
Cantwell AK 99729  
Business Tel (907)768-2008  
Fax Tel (907) 768-2000



Christopher Ho  
PO Box 1347#228  
Bethel, Alaska, 99559

907.543.5505  
email@christopherho.us

January 25, 2008

Senator Johnny Ellis, Chairman  
Senate Labor & Commerce Committee  
State Capitol  
Juneau, AK 99811-1182

Re: SB 230 - Alaska Film Incentive Program

Dear Senator Ellis,

I am a producer and director with First Catch Films, an independent production company based in Bethel, Alaska.

We have a fiction film project in pre-production that will ideally be shot in Western Alaska. With the rising costs of fuel, transportation, and lodging, convincing investors to pay a large surcharge to shoot in our unique location is challenging.

SB 230 would provide a much needed incentive for film production in our state. Granted that this legislation would spur interest for productions worldwide to travel to Alaska to shoot, we are also excited about the possibility of a new attraction to film as a viable investment for Alaskan corporations.

Thank you for sponsoring SB230.

Sincerely,

A handwritten signature in cursive script that reads "Chris Ho".

Christopher Ho

BRISTOL BAY CAMPUS

527 Seward St.  
PO Box 1070  
Dillingham, AK 99576-1070



Fax (907) 842-5692

25 January 2008

Senator Johnny Ellis, Chairman  
SENATE LABOR AND COMMERCE COMMITTEE  
STATE CAPITOL  
JUNEAU, AK 99811-1182

Re: SB230 – Alaska Film Incentive Program

Dear Senator Ellis:

I am writing to ask for your support of SB230 - the Alaska Film Incentive Program. I am writing not only for myself but also for ten of the most extraordinary students in the history of our state.

I came to Alaska in 1982, to teach high school in the Siberian Yupik village of Gambell, on St. Lawrence Island. The school was so out of control that it was under threat of closure. By a fluke, the kids ended up being entered in Future Problem Solving – then the most difficult academic competition in the nation.

Despite poor academic backgrounds and despite speaking English as a second language, the Gambell teams made it to the national finals. Seventy-eight percent of the teams they faced were from schools or programs for the gifted. But the Gambell students rose to the challenge. They studied while hauling water. They studied while (literally) hunting whales. They overcame those and other obstacles that stagger the imagination. And they became the only Native Americans ever to win national championships in academics – a feat they accomplished *twice*.

Their story was to be a movie – the sequel to *Stand and Deliver*. However, the script (which I did not write) was caught in the 1987/88 Hollywood Strike, and was never filmed. Frankly, I was relieved, because I knew that films about Alaska but made outside Alaska never live up to their billing.

I now have told their remarkable story in an extremely well-received book, *The Kids from Nowhere*. (Besides being an educator, I have a world award as a writer.) This story needs to be shown on the screen, to bring hope to young people, especially to minority students, everywhere. The “Kids from Nowhere,” as the Gambell students proudly called themselves – “kids” who are now all in the thirties – want no money for themselves. They want to be role models for Native youth, and use any monies a movie might make to build a school for the poor.

You and other Alaska legislators can raise a wonderful and heartfelt voice in this noble cause. What a better way to give kids everywhere a model for making good choices! Alaska needs to have movies filmed *in* Alaska, movies that give Alaskans a real chance to voice our unique culture and our incredible stories – not movies made non-Alaskans (and often filmed outside the state) – movies that, as with *Mystery, Alaska*, call all Alaska Natives “Inuit.”

Please support SB230.

Sincerely yours,

George Guthridge  
Professor of English  
ifglg@uaf.edu

PO Box 489  
Homer, Alaska 99603  
January 22, 2008

Senator Johnny Ellis, Chairman  
Senate Labor & Commerce Committee  
State Capitol  
Juneau, AK 99811-1182

Re: SB 230 - Alaska Film Incentive Program

Dear Senator Ellis,

I'm Dana Stabenow, Homer resident and author of twenty-four novels and a dozen short stories, including fifteen (sixteen next year) Kate Shugak novels, which are set in Alaska.

There has been interest in the screen rights for the Kate Shugak novels from the first year of publication, but I have turned down all offers because no one will shoot the film or mini-series or television series in Alaska. The reason is always the same: They can shoot it cheaper elsewhere, in one of the states that does have film incentives, or more likely in Canada or New Zealand, which also do.

Quite apart from the fact that I'm hemorrhaging money myself in continually refusing offers, all Alaskans are losing out. Film companies who shoot here will eat here, sleep here, and shop here. They'll put Alaskans to work in the arts and in the transportation and service industries. There is also the satisfaction that will come to every Alaskan watching a film allegedly set in Alaska and actually seeing Alaska up on the screen, instead of British Columbia, Washington, Louisiana or Maine. No financial value may be attached to this last, but it sure would be good for the Alaskan soul.

This is why I am so glad to see your sponsorship of SB230. I cannot express strongly enough my support for this bill, and I'm happy to testify for it in front of the legislature in Juneau if you think it would help.

Thanks,

Dana Stabenow

Hello – Thank you for providing us the time to testify.

My name is Colleen Stephens and I am here today to testify in support of SB 230.

Our family business, Stan Stephens Cruises, Inc., is primarily a tourism business. However during our "off season" we have often become the beneficiaries for the Alaska film industry by supporting crews shooting movies and commercials.

The business that we have received from partnering with the film industry has allowed us to lengthen our operating season, therefore employing Alaskans for a longer period of time. In addition we with each charter we have increased our spending with other business in our area since we have had to supply our vessels with food, hardware and fuel.

The film industry is quite competitive when it comes to choosing a location to shoot. There have been a number of times that I am aware of that Alaska has not been chosen for a film project, loosing the business to other places where the benefits and incentives for the production companies are greater.

We need to do as much as we can as Alaskans to encourage the film industry to look North to Alaska and consider our great State as a location for features and commercials.

Thank you again for the time to testify and thank you for supporting SB 230.

CECILE'S

please  
keep  
file

Alaska State Legislature  
HOUSE FINANCE COMMITTEE  
Agenda

Monday, April 7, 2008

8:30 AM

2) SB 120-UNEMPLOYMENT COMP: BENEFITS/RECORDS  
FN LAC - ZERO

SB 230-FILM OFFICE/ FILM PRODUCTION TAX CREDIT  
FN DCCED F.I.  
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WK DRAFT F  
SB 119-SCHOOL LIBRARY GRANTS

25-650749  
V

WD

FN DCCED - INDETER. (CHRS 2875)

FN DCCED - INDETER.  
DEED

School. NOT  
HEARD

Monday, April 7, 2008    8:30 AM

SB 120-UNEMPLOYMENT COMP: BENEFITS/RECORDS

Senator Johnny Ellis/Dana Owen, Staff

Don Etheridge, AFL/CIO

Richard Helms (Teleconference)

Questions

Jim Wilson, Economists, Unemployment Insurance Tax Rates, Division of Employment Security, Department of Labor and Workforce Development

Tom Nelson, Director Employment Security Division, Labor

SB 230-FILM OFFICE/ FILM PRODUCTION TAX CREDIT

Proposed CS Version F/ Amendment 1 – Meyer

Sen. Ellis/Max Hensley, Staff    FN#3 # 4

Questions via Teleconference

Joe Austerman, Manager, Office of Econ Dev, DCCED

Monday, April 7, 2008    8:30 AM

**SB 230-FILM OFFICE/ FILM PRODUCTION TAX CREDIT**

Proposed CS Version F/ Amendment 1 – Meyer

Sen. Ellis/Max Hensley, Staff    FN#3 # 4

**SB 120-UNEMPLOYMENT COMP: BENEFITS/RECORDS**

Senator Johnny Ellis/Dana Owen, Staff

Don Etheridge, AFL/CIO

Richard Helms (Teleconference)

Questions

Jim Wilson, Economists, Unemployment Insurance Tax Rates, Division of Employment Security, Department of Labor and Workforce Development

Tom Nelson, Director Employment Security Division, Labor

*Nelson  
Hunter  
transfer*

*Suzanne*

Notes on Changes to SB 230 ( ) Film Office/Film Production Tax Credit  
House Finance Committee Hearing  
April 7, 2008

**Section 1:**

**AS 43.98.030 Film Production Tax Credit**

Provides that the number of tax credits provided in the aggregate may not exceed \$150 million.

**Section 2:**

**AS 44.33.231 Film Office**

Deleted the requirement for the Commissioner of DCCED to consider individuals suggested by the Alaska Film Group for appointment to the director position for the Film Office.

**AS 44.33.233 Eligibility for a Tax Credit:**

Provides that the Film Office must determine that the production is not contrary to the best interests of the state.

In making this determination, the Film Office may consider

1. The effect of the production on both immediate and long-term prospects for the film industry in Alaska;
2. The effect of the production on the employment of Alaska residents; and
3. The effect of the production on the economy of the state.

Further clarifies that productions that are advertisements, infomercials, or any other production that solicits funds is not eligible for a tax credit under AS 4398.030.

**AS 44.33.234 Qualification for Film Production Tax Credit:**

The references to "preliminary certificate" was changed to "notice of qualification"

**AS 44.33.235 Award of Film Production Tax Credit:**

The qualification of the CPA was changed from "selected by" to "approved by"

This clears up the ambiguity that the Film Office would be selecting a CPA to review a post-production audit. The language now allows the Film Office to seek out CPAs that might be interested in doing this work and will be able to provide production companies with a list of CPAs that have been approved by the Film Office.

Language was added to clarify that the Film Office, in cooperation with the Department of Revenue, will determine the amount of the tax credit based on the information provided in the audit post-production cost report.

Clarifies that the tax credit will be awarded if the producer has satisfied all of the requirements under AS 44.33.21-44.33.239.

Further provides that the award of the tax credit is conditioned on the producer's and the production full compliance with all applicable state laws and regulations. The Film

Notes on Changes to SB 230 ( ) Film Office/Film Production Tax Credit  
House Finance Committee Hearing  
April 7, 2008

Office can request for the producer to provide any further information necessary for the Film Office to determine full compliance.

Removes the provision that would disallow the Film Office from seeking recourse against a producer or a taxpayer who has required the transferable tax credit for any portion of the credit that may be disqualified.

This is addressed in the indemnity clause that was added.

**AS 44.33.236 Determination of Qualified Expenditures:**

Provides that in order for expenditures to be considered qualified expenditures, the expenditures must be directly related to the production and be incurred in the state.

Only expenditures that are ordinary, reasonable, and not in excess of fair market value and that are for real or tangible property, fees, services or state or municipal taxes shall be considered.

**Expenditures that may be considered:**

Clarified that the total aggregate payroll for services must be directly attributable to services performed in Alaska.

A more specific description was used for the costs allowed for the sue of Alaska payroll business: a business for processing qualified payroll and related expenditures.

The allowance for insurance costs or bonding was removed.

Provides that the Film Office, in cooperation with the Department of Revenue, can review similar expenditures to those that are enumerated in this section and decide if they qualify.

**Expenditures That May Not Be Considered:**

Added four additional items that are not considered qualified expenditures:

1. Production financing, depreciation, and amortization costs, and other costs that are not cash or cash equivalent expenditures directly attributable to production costs incurred in the state.
2. Amounts that are later reimbursed or reasonably anticipated to be reimbursed, which would result in an overall reduction in production costs; and
3. Amounts that are anticipated to be recovered through subsequent sale or realization of value by disposal of an asset that is allowable and has been claimed as a qualified expenditure.
4. Costs incurred in the purchase of real or tangible property for which a qualified expenditure has, at any time, been claimed.

**AS 44.33.237 Review of Film Production Tax Credit**

Allows the State the right to review, audit, and subsequent disallowance and recovery if any form of non-compliance of AS 44.33.231-44.33.239 or any other state law or permit

Notes on Changes to SB 230 ( ) Film Office/Film Production Tax Credit  
House Finance Committee Hearing  
April 7, 2008

requirement. There is a statute of limitation of 1 year from the point where the credit is awarded to the production company to allow the State the right to review, audit, disallow or recover.

Allows the State to recover the cost of any damages caused by the production to the State or local government, by reducing the amount of credit awarded. This would include costs of environmental or other physical damage and from failure to comply with any law, regulation, permit, lease or other agreement.

The State can withhold the award of the tax credit certificate if there are any filed, but unresolved legal actions involving the production company.

There is further clarification that this allows the State to go back to the production company, and not the tax payer that purchases the transferable tax credit.

**AS 44.33.238 Regulations**

Provides that the Film Office, in cooperation with the Department of Revenue, may adopt regulations and procedures to carry out its functions under AS 44.33.231-44.33.239.

**AS 44.33.239 Definitions:**

A new definition for "Alaska Business" was added:

"Alaska Business" means

1. A person holds a current Alaska business license;
2. A person who provides goods or services under the name as it appears on the person's current Alaska business license;
3. A person who has maintained a place of business within the state staffed by the person or an employee of the person for a period of six months immediately preceding the date of the goods or services provided;
4. A person who is
  - a. Incorporated or qualified to do business under the laws of the state;
  - b. A sole proprietorship, and the proprietor is a resident of the state;
  - c. A limited liability company organized under AS 10.50 and all members are residents of the state; or
  - d. A partnership under former AS 32.05, AS 32.06, or AS 32.11 and all partners are residents of the state and
5. A joint venture company composed entirely of ventures that qualify under this section.

**Section 3: No Changes**

**Section 4: No Changes**

**Section 5: Notification Requirement**

Provides that when the total number of tax credits has reached \$150 million, the Commissioner of the Department of Revenue shall notify each house of the Legislature, as well as the Revisor of Statutes.

Notes on Changes to SB 230 ( ) Film Office/Film Production Tax Credit  
House Finance Committee Hearing  
April 7, 2008

**Section 6: Effective Date**

The Effective Date clause is changed to reflect the aggregate \$150 million tax credit limit.

*change July 1 2019*