

HB

112

<TARGET><BILL>HB 112</BILL><SUBJECT>HB
112</SUBJECT><COMM>HFIN28</COMM></TARGET>

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 22, 2013

FURTHER REFERRALS:

Date of Committee Action: 3/11/14

The FINANCE Committee considered:

HB 112

HOUSE BILL NO. 112

"An Act repealing the film production tax credit; providing for an effective date by repealing the effective dates of secs. 31 - 33, ch. 51, SLA 2012; and providing for an effective date."

HB 112-REPEAL FILM PRODUCTION TAX CREDIT

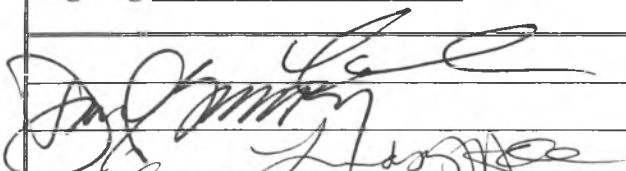
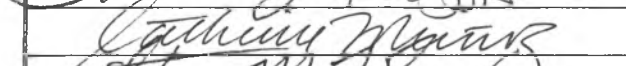

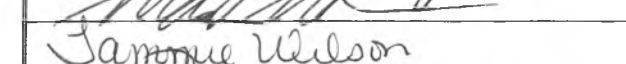
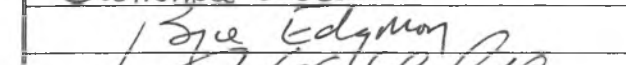

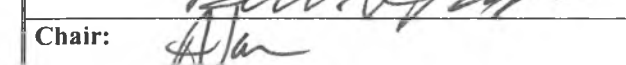
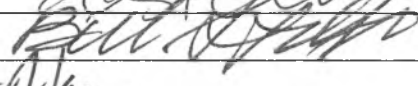


Recommends it be replaced with HCS or CS for HB 112 (FIN)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

- List of Abbrev for Depts.:
- ADM
 - CEC
 - COR
 - CRT
 - EED
 - DEC
 - DFG
 - GOV
 - DHS
 - LWF
 - LAW
 - LEG
 - MVA
 - DNR
 - DPS
 - REV
 - DOT
 - UA

<u>NEW FISCAL NOTES</u>				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	CED			✓
	REV	✓		

<u>PREVIOUS FISCAL NOTES</u>				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Gene GATTENBERBER		✓		
	Holmes			X	
	Muñoz			✓	
	Thompson			✓	
	Neunteufl	✓			
	T. Wilson			✓	
	Edgmon			✓	
Chair: 	CASTELLO			✓	
Chair: 	Spolite	✓			
	AUSTERMAN			X	

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 112
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB112-DOR-TAX-10-04-2013
Title: REPEAL FILM PRODUCTION TAX CREDIT
Sponsor: STOLTZE
Requester: (H) FIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services		338.4				(304.8)	(304.8)	(304.8)
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	338.4	0.0	0.0	(304.8)	(304.8)	(304.8)	

Fund Source (Operating Only)

1004 Gen Fund		338.4			(304.8)	(304.8)	(304.8)
Total	0.0	338.4	0.0	0.0	(304.8)	(304.8)	(304.8)

Positions

Full-time		3.0			(3.0)	(3.0)	(3.0)
Part-time							
Temporary							

Change in Revenues		***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0

Estimated CAPITAL (FY2015) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 06/30/19

Why this fiscal note differs from previous version:

Updated for 2014 legislative session.

Prepared By: Johanna Bales, Deputy Director
Division: Tax Division
Approved By: Angela M. Rodell, Commissioner
Agency: Department of Revenue

Phone: (907)269-6628
Date: 12/23/2013 01:17 PM
Date: 12/23/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB 112

Analysis

Bill Language:

This bill would repeal the current film production tax credit and the provisions of Chapter 51, SLA 12, which moved the Film Office to the Department of Revenue from the Department of Commerce, Community and Economic Development (DCCED), extended the film program for 10 years, and increased the total aggregate film credits allowed to be awarded from \$100 million to \$300 million. The bill allows a tax credit to be awarded to any production that receives a notice of qualification under current law, provided that the notice of qualification is submitted prior to July 1, 2014 and that total aggregate film credits awarded do not exceed \$100 million. This bill keeps the provision in existing statute that allows the Department of Revenue to file legal proceedings up to 6 years after the date a tax credit is awarded if the department determines that the film producer is liable for damages to the state or any political subdivision of the state.

Revenues:

The original film credit program was established in 2008 with a sunset provision of June 30, 2013. The aggregate amount of film credits available to be authorized during the original 5-year period was \$100 million. Chapter 51, SLA 12, extended the film program 10 years to June 30, 2023 and increased the aggregate amount of film credits allowed to be awarded to \$300 million. To date, the Department of Revenue has issued \$40.7 million in film credits and over \$60 million in additional film credits have been preapproved. If all productions receive a notice of qualification prior to July 1, 2014, the maximum credits issued under existing law would be over \$100 million. However, this bill provides that a maximum of \$100 million in tax credits may be awarded. If the film tax credit program is repealed, as a result of this legislation, and all productions that prequalified, up to a maximum of \$100 million, were awarded a tax credit, the state would see an increase in tax revenue of \$200 million between July 1, 2014 and June 30, 2023. This amount represents the difference between the current statutory cap of \$300 million and the statutory cap of \$100 million in the original legislation that passed in 2008.

Expenditures:

The department requested and received three additional positions to administer the film program within the Department of Revenue. The repeal of the film production tax credit would result in personal service savings of \$304,800 to the department and the three positions requested would be eliminated from the department's budget beginning in FY 2018. This bill provides that any tax credits preapproved prior to July 1, 2014 would still be allowed under previous law. The department would need to maintain staff for at least three years to process those tax credits that were preapproved and which have 2 years to submit a final application and an additional year for the state to challenge the validity of the tax credit. We anticipate the provisions within this bill can be implemented in the Tax Division using this existing staff and resources for the next three years.

Regulations:

Regulations adopted by the department for this program would be repealed by June 30, 2019.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 112
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB112-DCCED-DED-01-21-14
Title: REPEAL FILM PRODUCTION TAX CREDIT
Sponsor: STOLTZE
Requester: House Finance

Department: Department of Commerce, Community and
Economic Development
Appropriation: Economic Development
Allocation: Economic Development
OMB Component Number: 2743

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0

Estimated CAPITAL (FY2015) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/16

Why this fiscal note differs from previous version:

Initial version of bill with fiscal note updated for second session of Legislature.

Prepared By: <u>Joe Jacobson, Director</u>	Phone: <u>(907)465-2625</u>
Division: <u>Economic Development</u>	Date: <u>01/08/2014 11:15 AM</u>
Approved By: <u>Jeanne Mungle, Director</u>	Date: <u>01/08/14</u>
Agency: <u>Administrative Services</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB 112

Analysis

HB 112 repeals the film production tax credit, modifies the statute for recovery of the tax credit, and adds transitional language that allows the state to meet its existing obligations to those businesses that previously received a tax credit. HB 112 leaves intact DCCED's responsibility to promote and develop the film production industry consistent with ch. 51, SLA 12, Section 29, 44.33.231(a-b).

There is no anticipated fiscal impact to the Division of Economic Development from this bill. Regulations regarding the film production tax credit will need to be repealed.

CS FOR HOUSE BILL NO. 112(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES STOLTZE, Neuman, Reinbold

A BILL

FOR AN ACT ENTITLED

1 "An Act repealing the film production tax credit and making conforming changes;
2 providing for an effective date by repealing the effective dates of secs. 31 - 33, ch. 51,
3 SLA 2012; and providing for an effective date."

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

5 * **Section 1.** AS 43.75.130(f) is amended to read:

6 (f) For purposes of this section, tax revenue collected under AS 43.75.015
7 from a person entitled to a credit under AS 43.75.035 or [,] 43.75.036 [, OR
8 AS 43.98.030] shall be calculated as if the person's tax were collected without
9 applying the credit; tax revenue collected does not include the amount of a tax credit
10 recaptured under AS 43.75.035(g) or 43.75.036(g).

11 * **Sec. 2.** AS 43.77.060(e) is amended to read:

12 (e) For purposes of this section, tax revenue collected under AS 43.77.010
13 from a person entitled to a credit under AS 43.77.035 or [,] 43.77.045 [, OR
14 AS 43.98.030] shall be calculated as if the person's tax had been collected without

1 applying the credits.

2 * **Sec. 3.** AS 44.25.135, as enacted in sec. 28, ch. 51, SLA 2012, is amended to read:

3 **Sec. 44.25.135. Recovery of film production tax credit.** (a) The **Department**
 4 **of Revenue** [FILM OFFICE] may review, audit, and bring legal proceedings to
 5 recover any amount of a tax credit awarded under **former AS 44.25.125 and former**
 6 **AS 44.33.235** [AS 44.25.125] from a producer or production **that received the credit**
 7 **if the Department of Revenue** [TO WHICH A CREDIT WAS AWARDED IF THE
 8 FILM OFFICE] determines that the film producer or production is liable for damages
 9 to the state, or any political subdivision of the state.

10 (b) Legal proceedings may not be brought under (a) of this section more than
 11 six years after the date the tax credit was awarded under **former AS 44.25.125 and**
 12 **former AS 44.33.235** [AS 44.25.125].

13 * **Sec. 4.** AS 24.20.271(12); AS 43.98.030; AS 44.25.100, 44.25.105, 44.25.110, 44.25.115,
 14 44.25.120, 44.25.125, 44.25.130, 44.25.140, 44.25.145, 44.25.150, 44.25.190, and
 15 AS 44.33.231(c) are repealed.

16 * **Sec. 5.** AS 44.25.135 is repealed July 1, 2020.

17 * **Sec. 6.** Sections 31 - 33, 35, 36(b), 36(c), 36(d), 37, and 38, ch. 51, SLA 2012, are
 18 repealed.

19 * **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to
 20 read:

21 TRANSITION. (a) Subject to AS 43.98.030(f), as that subsection read on June 30,
 22 2014, limiting the number of tax credits provided in the aggregate under AS 43.98.030, as that
 23 section read on June 30, 2014, the repeals in

24 (1) sec. 30, ch. 51, SLA 2012, do not prohibit the film office from determining
 25 a film production's qualified expenditures, awarding a tax credit, or reviewing a tax credit for
 26 a production that received a notice of qualification under AS 44.33.235 before July 1, 2013,
 27 under the provisions repealed by sec. 30, ch. 51, SLA 2012;

28 (2) sec. 4 of this Act do not prohibit the film office from determining a film
 29 production's qualified expenditures, awarding a tax credit, or reviewing a tax credit for a
 30 production that received a notice of qualification under AS 44.25.125 before July 1, 2014,
 31 under the provisions repealed by sec. 4 of this Act.

1 (b) A film production tax credit may be used to offset taxes imposed under the
2 provisions identified in AS 43.98.030(c), or sold or exchanged for a transferable tax credit
3 certificate under AS 43.98.030(a), within three years after being provided by the Department
4 of Revenue, notwithstanding the repeal of AS 43.98.030 in sec. 4 of this Act.

5 (c) A film production tax credit that is being withheld under AS 44.25.125(h) may
6 continue to be withheld by the film office, notwithstanding the repeal of AS 44.25.125 in sec.
7 4 of this Act.

8 * **Sec. 8.** Sections 40 - 42, ch. 51, SLA 2012, are repealed.

9 * **Sec. 9.** Sections 1 - 4 and 6 - 8 of this Act take effect July 1, 2014.

10 * **Sec. 10.** Except as provided in sec. 9 of this Act, this Act takes effect immediately under
11 AS 01.10.070(c).

Adopted 3.5.14

WORK DRAFT

WORK DRAFT

WORK DRAFT

28-LS0402\C
Bullock
3/4/14

CS FOR HOUSE BILL NO. 112(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

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6 **AS 44.33.235** [AS 44.25.125] from a producer or production **that received the credit**
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9 to the state, or any political subdivision of the state.

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3 certificate under AS 43.98.030(a), within three years after being provided by the Department
4 of Revenue, notwithstanding the repeal of AS 43.98.030 in sec. 4 of this Act.

5 (c) A film production tax credit that is being withheld under AS 44.25.125(h) may
6 continue to be withheld by the film office, notwithstanding the repeal of AS 44.25.125 in sec.
7 4 of this Act.

8 * **Sec. 8.** Sections 40 - 42, ch. 51, SLA 2012, are repealed.

9 * **Sec. 9.** Sections 1 - 4 and 6 - 8 of this Act take effect July 1, 2014.

10 * **Sec. 10.** Except as provided in sec. 9 of this Act, this Act takes effect immediately under
11 AS 01.10.070(c).

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@legis.state.ak.us

August 30, 2012

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY, AND
ECONOMIC DEVELOPMENT, AND
DEPARTMENT OF REVENUE
ALASKA FILM PRODUCTION TAX INCENTIVE PROGRAM
SELECT PERFORMANCE ISSUES

August 8, 2012

Audit Control Number
08-30066-12

This performance audit evaluates various aspects of the Alaska Film Production Tax Incentive Program which is co-administered by the Department of Commerce, Community, and Economic Development's Alaska Film Office (AFO) and the Department of Revenue's Tax Division. The audit identifies the economic impact of the program in Alaska, determines whether the AFO's application review and approval process adequately protects the State's interests, and evaluates the extent to which the AFO is meeting its statutory duties.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the conclusions, findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in black ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we have conducted a performance audit of the Alaska Film Production Tax Incentive Program (AFPTIP). The objectives, scope, and methodology of our review were as follows.

Objectives

1. Determine the AFPTIP's economic benefits.
2. Evaluate components of the Alaska Film Production Tax Credit (tax credit) calculation to determine whether vendors and individuals being reported as local spending on film credit applications are Alaska businesses and residents.
3. Identify and evaluate Alaska Film Office (AFO) performance measures and determine if the AFO has been successful in meeting the performance measures.
4. Determine whether the AFO is sufficiently meeting its statutory requirements, including:
 - Cooperating with organizations in the private sector for the expansion and development of film production industries in the State.
 - Promoting Alaska as an appropriate location for film production.
 - Providing production assistance through connecting film directors, makers, and producers with Alaska location scouts and contractors, including contractors providing assistance with permit applications.
 - Certifying Alaska film production internship training programs and promoting the employment of program interns by eligible productions.
5. Determine whether the AFO's eligibility and approval process is sufficiently designed to adequately protect the State's interests by evaluating:
 - The AFO's method of determining a production is not contrary to the State's best interests.
 - The AFO's suggested procedures used by certified public accountants (CPA) when verifying proposed qualified expenditures.
 - The AFO's quality control procedures used to administer the AFPTIP.
 - The disposition of errors or exceptions identified by the AFO during application review.

6. Determine if the AFO developed regulations necessary to meet the AFPTIP's objectives and whether regulations were adopted in accordance with state requirements.
7. Identify complaints made to the Department of Commerce, Community, and Economic Development (DCCED), AFO, Department of Revenue (DOR), and Office of the Ombudsman or other agencies regarding the AFPTIP and whether the complaints have been processed and resolved.
8. Evaluate the statutory list of qualified production expenditures and determine whether the list is sufficiently comprehensive and not overly restrictive to achieve AFPTIP goals. Determine if the AFO's classification of "*Alaska spend*" is reasonable.
9. Determine the average sales price of tax credits and identify the industry groups that purchase the credits.
10. Determine if a tax credit program is the most cost effective method of incentivizing the film industry in Alaska.

Methodology

Our examination of AFPTIP activities covers the period of July 2008 through February 2012. To address the objectives of our audit, we:

- Contracted with a specialist to perform an economic impact analysis of the AFPTIP. The specialist used an industry standard input/output model, IMPLAN, to estimate the AFPTIP's economic benefits in Alaska. The specialist's detailed methodology is described in Appendix B.
- Obtained from DCCED a schedule of productions approved for tax credits through February 2012. Using a non-statistical sampling method, ten of 39 productions were selected for testing credit calculations in detail. The tested productions included the six highest dollar productions and four randomly selected productions. Expenses for the selected productions were separated between wage and non-wage items, stratified, and tested on a sample basis to verify wages were paid to Alaska residents and non-wage items were paid to Alaska businesses. Alaska residency was verified using Alaska Permanent Fund Dividend applications and Division of Motor Vehicles database records. Alaska businesses were verified using DCCED's business license database. Testing results were not projected.
- Examined budget documents to identify AFO performance measures. We obtained and reviewed support for the data reported by the AFO as progress towards meeting performance measures. We evaluated measures to determine if they were properly designed to measure the AFO's effectiveness in meeting statutory duties and the AFPTIP's overall goals.

- Inquired with AFO management to identify specific instances of cooperation with the private sector for the expansion and development of the Alaska film industry, promotional activities regarding Alaska as a location for film production, production assistance provided to producers to connect them with needed services in Alaska, and any Alaska film production internship training programs certified, including how they were certified.

This testimonial evidence was evaluated and corroborated through examining a combination of documentation and other tangible or intangible items (website, software program, database, etc.), and/or inquiry with specific private sector entities and individuals identified by the AFO.

Through online research, we identified additional major entities in the film industry in Alaska. We inquired with representatives of these entities for additional instances of AFO cooperation and/or coordination.

- Inquired with AFO management on the current status of the prior audit finding regarding the AFO's need to develop clear and measurable criteria to support "best interests" determinations.¹
- Obtained and reviewed the AFO's suggested review procedures to understand the procedures CPAs used to evaluate qualified expenditures. We inquired with the AFO to identify procedure implementation dates. We evaluated the nature and extent of required procedures to determine whether they are sufficient to ensure certified expenditures adhere to program requirements.
- Inquired with AFO management to identify the nature and extent of any quality control procedures implemented to ensure final credit amounts are issued in accordance with program requirements. This included evaluating the adequacy of procedures and trainings the AFO implemented to verify and ensure CPAs are performing reviews in accordance with established guidelines.
- Inquired with AFO management to identify the errors they discovered when reviewing and approving credit applications, and to understand the AFO's process for resolving errors. Through examination of production files, we verified that known errors or exceptions the AFO identified during the final application review were handled appropriately and resulted in adjustment to the approved credit amount.

¹Department of Commerce, Community, and Economic Development, Department of Revenue, Alaska Film Production Tax Incentive Program, Financial Compliance, February 29, 2012, Audit Control Number 08-30065-12, Recommendation No. 1.

- Evaluated current DCCED and DOR AFPTIP regulations for adequacy in meeting program requirements. Through documentation examination, we verified AFPTIP regulations were implemented in accordance with state requirements including public notice, period of review and comment, and Department of Law approval.
- Inquired with the Office of the Ombudsmen, DCCED, and DOR to identify any complaints made to those agencies regarding AFO and AFPTIP activities. We reviewed agency documentation to verify the complaints were processed and reasonably addressed.
- Identified AFPTIP qualified expenditures listed in AS 44.33.236. Through online research, we identified the qualified expenditures for all other state film incentive programs. We compared the AFPTIP to other states' programs. We identified and evaluated differences to determine the relative restrictiveness of the AFPTIP's qualified/unqualified expenditures list.
- Inquired with AFO management to understand how the AFO defines *Alaska spend*. We examined AFO annual reports to verify Alaska spend is publicly reported in accordance with our understanding. Through online research, we reviewed other states' programs to determine if a generally accepted "*state spend*" classification exists. We compared the AFO's definition to other states' to identify any deviations from the classification generally used.
- Obtained from DOR a schedule of all tax credits issued, transferred, and redeemed as of February 29, 2012. We contacted the production companies that have transferred tax credits to identify the sales price received. We calculated the average sales price and summarized tax credit purchasers by line of business as defined by DCCED business licensing documentation.
- Through online research, we gathered pertinent information regarding methods used for incentivizing film production activity. We compiled a schedule of this information for all states currently operating a program. (See Appendix A.) Information gathered includes type of incentive, benefit parameters and project eligibility. We identified and obtained economic analysis or impact studies done on other states' programs. We examined the results to identify the factors used to support and/or measure program effectiveness. To identify the relative cost effectiveness of the various program alternatives, we summarized impact analysis results based on the common factors identified.

Additional fieldwork included:

- Examining Senate Bill 23 to understand AFPTIP changes that will take effect July 1, 2013.

- Researching news articles and reports regarding the AFPTIP and other states' film incentive programs to understand issues significant to the audit objectives.
- Analyzing AFPTIP annual reports to the legislature for program specific information and issues.

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ORGANIZATION AND FUNCTION

The Department of Commerce, Community, and Economic Development's (DCCED) Alaska Film Office (AFO) and the Department of Revenue's (DOR) Tax Division administer the Alaska Film Production Tax Incentive Program (AFPTIP). The AFO attracts and facilitates film production in Alaska and is responsible for prequalifying and approving Alaska Film Production Tax Credits (tax credit). The Tax Division is responsible for issuing tax credit certificates and monitoring tax credit transfers and redemptions.

The Alaska Film Office

DCCED's mission is to promote a healthy economy and strong communities in Alaska. Within DCCED, the Division of Economic Development (DED) helps businesses and developers navigate the network of available programs; it also offers technical assistance and support for start-ups, expansions, and relocations. The AFO is an office within DED. The AFO was created under AS 44.33.231 to, in part, administer the AFPTIP. The office consists of one development specialist who is supported by one, half-time administrative assistant. Per AS 44.33.231, AFO duties include:

- Cooperating with the private sector to expand and develop the film industry in Alaska;
- Promoting Alaska as a location for film production;
- Assisting productions in connecting with state resources for filming;
- Certifying Alaska film production internship training programs and promoting the employment of program interns by eligible production companies; and
- Cooperating with DOR to administer the AFPTIP.

The Tax Division

DOR is responsible for administering, enforcing, and collecting state tax, royalty, and assessment revenues. DOR is also responsible for ensuring the proper custody and investment of funds received by the State.

The Tax Division is one of five divisions within DOR. The Tax Division is charged with collecting state taxes and administering tax laws. It also regulates charitable gaming and provides revenue estimates and economic forecasting. Within the Tax Division, an income tax auditor oversees tax credit administration.

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BACKGROUND INFORMATION

Film production incentive programs are used by state and local governments to encourage motion picture and television production within a target locale. As with most government provided economic incentives, the goals of these programs are to generate desired economic activity, create jobs, and develop long-term industry growth. Another potential benefit includes increasing tourism through the broad exposure obtained from film and television productions.

Film production incentive programs in the United States are highly competitive. As of February 2012, 39 states, plus the District of Columbia, offer some type of film production incentive. Appendix A of this report summarizes the state programs that provide film production incentives. Appendix A also includes information on the programs operated by the District of Columbia and Canada's British Columbia.

Of the 11 states not offering film production incentives, three programs recently sunset,² and one was suspended. Exhibit 1 lists the 11 states not offering film production incentives.

Exhibit 1

States without Film Incentive Programs as of February 2012

Arizona	sunset 2010
Delaware	
Indiana	sunset 2011
Iowa	suspended 2009
Nebraska	
Nevada	
New Hampshire	
North Dakota	
South Dakota	
Vermont	
Washington	sunset 2011

The incentive amount is usually based on qualified production expenditures applied against rates that may vary based on the nature of the expenditure (for example, wage versus non-wage spending). States often provide bonuses for certain types of expenditures or productions based on program goals and/or to remain competitive. Film production incentives are typically provided in two forms: (1) film production tax credits or (2) direct cash rebates or grants.

Film Production Tax Credit, Rebate, and Grant Incentive Programs

Film production tax credit incentive programs provide production companies film tax credits that can be offset against state income or corporate tax liabilities. Because production companies typically receive credits in excess of any tax liabilities, many states issue transferable film production tax credits. Production companies can sell transferable film production tax credits for cash – usually for less than the value of the credit. The purchasing entity may redeem the credit when filing its state tax return. Some states allow unused credits to be carried forward over a number of years. As shown in Appendix A, 13 states issue transferable film production tax credits and all allow unused credits to be carried forward. Each state's carry forward period is between two to ten years.

²*Sunset* is defined as the termination of a particular agency or program on a predetermined date unless justification for continuance is presented to the legislature prior to such occurrence.

As additional incentive, some states provide partially or fully refundable film production tax credits. These credits allow production companies, when filing tax returns, to claim a refund for the portion of the credit in excess of any tax liability. This removes the need for a third party purchaser and allows the production company to retain the full credit benefit. As shown in Appendix A, 14 states and British Columbia issue partially or fully refundable tax credits.

Except for Louisiana and Massachusetts, states that issue fully refundable film production tax credits do not allow transferability or carry forward. (See Exhibit 2.) Louisiana's partial refund is through state buyback of the credit. State buyback does not require claiming the refund through filing a tax return.

Only two states, Kansas and Maine,³ provide film production tax credits that are both non-transferable and non-refundable.

Cash rebate and grant incentive programs provide direct payments to production companies based on qualified spending or some other incentivized activity such as local job creation. These programs do not require filing tax returns to receive the incentive benefits. As shown in Appendix A, 16 states and the District of Columbia offer rebates or grants to incentivize film production.

Uniqueness of State Incentive Programs

An examination of film production incentive programs in place as of February 2012 showed that no two programs are exactly alike. Differences in state tax structures, demographics, geography, and budget constraints create a high level of program customization. Differences are also driven by competition as states continually revamp or enhance programs to ensure continued success in attracting film production activity. In addition to film production tax credit, rebate, and grant incentive programs, variations may include: annual funding limits, minimum required production spending, caps placed on non-resident and/or above-the-line (ATL) compensation, providing infrastructure credits, sales or hotel tax relief, and the specific benefit rates applied to qualified spending.

Exhibit 2

States with Transferable Tax Credits and Option for Buyback and/or Refund

Louisiana – issues transferable tax credits with a ten year carry-forward and provides an option for state buyback at 85 percent of face value.

Massachusetts – issues transferable tax credits with a five year carry-forward. Credits are refundable at 90 percent of face value but must first be applied to taxes.

³Maine has two incentive programs: tax credits for qualified non-wage production expenses and cash rebates for qualified wages.

The Alaska Film Production Tax Incentive Program (AFPTIP)

The AFPTIP, created in 2008, is an economic incentive program designed to encourage film production activity and long-term industry growth in Alaska by issuing Alaska Film Production Tax Credits (tax credit). The AFPTIP is co-administered by the Department of Commerce, Community, and Economic Development's (DCCED) Alaska Film Office (AFO) and Department of Revenue's (DOR) Tax Division. The AFO is responsible for prequalifying productions and approving tax credits. DOR's Tax Division issues tax credit certificates upon receiving AFO approval and monitors tax credit transfers and redemptions.

In addition to its prequalification and tax credit approval responsibilities, the AFO attracts and facilitates film production in Alaska.

The AFPTIP was initially authorized to issue up to \$100 million in tax credits. This funding expires June 30, 2013. During the 2012 legislative session, the legislature reauthorized⁴ the AFPTIP and provided an additional \$200 million for tax credits to be issued from July 1, 2013, through June 30, 2023. In addition to extending the AFPTIP, the re-authorization amended administrative and programmatic aspects of the AFPTIP. A summary of significant changes to the program, effective July 1, 2013, begins on page 15.

Program Criteria and Tax Credit Rates

To be eligible for a credit under the current program structure, a production project must have incurred at least \$100,000 of qualifying expenditures⁵ over a consecutive 24-month period.⁶ Additionally, the production must not be contrary to the State's best interests based on AFO review. Exhibit 3 lists the areas for consideration in determining whether a production is contrary to the State's best interests. Lastly, the AFO must approve the production.

Exhibit 3

Best Interest Considerations

The effect of the production on:

- The film industry in Alaska.
- Alaska employment.
- The state economy.

Additional considerations effective July 1, 2013, include:

- The public perception of state policy with respect to natural resources of the State.
- The fiscal health of the State.

⁴Chapter 51 of SLA 2012 (Senate Bill 23).

⁵Alaska Statute 44.33.236 lists the qualified expenditures. Alaska Statute 44.25.130, effective July 1, 2013, provides an amended list of qualified expenditures.

⁶Effective July 1, 2013, the minimum is \$75,000 over a 36 month period.

Approved productions receive tax credits based on the nature and amount of qualified expenditures. AFPTIP tax credit rates are presented in Exhibit 4. Under the 2012 AFPTIP reauthorization, the tax credit rate structure was changed for compensation and wages paid to ATL and below-the-line (BTL) production cast and crew. The reauthorization defines *ATL* as producers, directors, writers, and the five highest paid actors. *BTL* is all other cast and crew.

Exhibit 4

<u>Alaska Film Production Tax Credit Rates</u>			
<u>Credit Type</u>	<u>Rate thru 6/30/13</u>	<u>Rate effective 7/1/2013</u>	<u>Description:</u>
Base Rate	30%	30%	Production expenditures incurred in Alaska and all but non-resident ATL compensation.
Alaska Hire	+10%	+20%	Wages paid to Alaska residents (ATL and BTL) qualifies for an additional credit.
Rural Location	+2%	+6%	Qualified expenditures made in a rural community receive an additional credit.
Seasonal	+2%	+2%	Qualified expenditures made between October 1 st and March 30 th receive an additional 2 percent credit.
Special	+0%	+6%	First episodic scripted television production.
Base Rate for Non-Resident ATL	30%	5%	Compensation paid to ATL employees not meeting PFD eligibility requirements.
Additional Amount Added to Non-Resident ATL			+ Dollar amount equivalent to 50% of Alaska resident wages.

Source: AS 44.33.235, AS 44.25.130 (effective July 1, 2013).

Exhibit 4 shows that for productions approved after July 1, 2013, the Alaska resident wage rate increased from ten to 20 percent for a total credit of 50 percent when added to the base rate of 30 percent. Additionally, there are limitations on the amount of credits claimed for non-resident ATL compensation.

Compensation for ATL cast and crew that do not meet Alaska Permanent Fund Dividend (PFD) eligibility requirements⁷ is limited to a five percent credit rather than the 30 percent base credit. The five percent credit is increased by adding an amount equal to 50 percent of Alaska resident wages. As a result, Alaska resident wages, which already qualify for a 50

⁷Per AS 43.23.005, to be eligible for a PFD an individual must be a state resident during the entire qualifying year.

percent credit, are essentially eligible for a 100 percent total credit rate for productions approved after July 1, 2013.

In the current program, production activities not eligible for tax credits include: news and weather; political, infomercial and other advertising (except for commercial television advertisements produced for national distribution); productions for private or internal use; and productions deemed sexually explicit. These production restrictions are repealed for productions approved after July 1, 2013.

Producer Prequalification Application Procedures

A producer interested in participating in the AFPTIP must file a prequalification application that includes:

- A detailed budget clearly identifying expenditures to be made in Alaska, including expenditure dates;
- A distribution plan that outlines where the film will be distributed and its intended audience;
- A production script or synopsis;
- The producer, director, and proposed cast's names;
- The production's estimated start, completion, and filming dates; and
- An Alaska business license number or proof of a business license application.

Upon approval, the AFO issues a prequalification letter to the producer that estimates the total potential tax credit based on the production company's submitted budget. The letter also communicates to the producer that prequalification does not guarantee a tax credit will be received, and it establishes the 24-month period⁸ in which eligible expenditures must be incurred.

Tax Credit Application Procedures

As discussed above, the production must prequalify before a tax credit application may be submitted. Producers are required to submit an application for a tax credit no later than 60 days after the end of the 24-month period for incurring qualifying expenditures. The tax credit application packet must include:

- A detailed identification of the production, including: the production company name, related entities, the production title, and a rough assembly⁹ of the production as required by state regulation;
- A final distribution plan;

⁸Effective July 1, 2013, the period extends to 36 months.

⁹*Rough assembly* is defined in 3 AAC 188.050 (b) as "a sequencing of scenes that will eventually be refined into the final cut of the film."

- A copy of the Alaska business license valid during production;
- A budget and cost report itemizing Alaska expenditures, including a list of all personnel and cast working in Alaska detailing the dates worked and the salaries earned;
- Lists of names and addresses of entities whose qualified expenditures were included;
- Verification by an independent, Alaska-licensed certified public accountant (CPA) that the costs claimed in the application are qualified expenditures;
- A list of all Alaska principal photography days including dates and locations;
- A list of any tangible personal property for which costs were included that was not transferred or otherwise disposed of at the end of production; and
- A sworn certification by the producer that the producer and the production have fully complied with all applicable state laws and regulations during the production.

The AFO reviews applications for compliance with statutes and regulations. Information requiring further clarification or that was not included with the original submission may be requested. A panel of three to four Division of Economic Development (DED) staff is responsible for reviewing and approving prequalification and final tax credit applications. The AFO provides a notification memo to the Tax Division once a tax credit has been approved and is ready for issuance.

Tax Credit Certificate Issuance and Transfers

Upon receipt of an approved tax credit memo, Tax Division staff prepare a tax credit certificate. The signed certificate is mailed to the producer or production company.

A tax credit may be used by any corporation with an Alaska corporate income tax liability. Tax credits are fully transferable in whole or in part and may be used for a tax period ending on or after the date the credit certificate was issued. A tax credit expires three years after its initial issue date.

Producers typically sell tax credits at a discount to corporations with Alaska corporate tax liabilities. To transfer a tax credit to a purchaser, the official certificate must be returned to the Tax Division, and a new, transferred tax credit certificate is issued to the purchaser. The official tax certificate must be submitted with a corporation's income tax return.

Changes Effective July 1, 2013

In addition to the previously noted changes to project criteria, the 2012 AFPTIP reauthorization by Chapter 51 of SLA 2012 (Senate Bill 23) significantly altered the program and its administration. The significant changes made effective July 1, 2013, include:

- Requiring a nonrefundable prequalification fee equal to 0.2 percent of the estimated total qualified expenditures (minimum \$200 and maximum \$5,000).
- Authorizing the creation of the Film Production Promotion Program in DCCED. The purpose of this program is to promote and facilitate film production. These activities were previously carried out by the AFO. Prequalifying productions and issuing tax credits remain the AFO's responsibility.
- Moving the AFO from DCCED to DOR. In addition to prequalifying and issuing tax credits, the AFO must annually report its activities to the legislature, design a film office logo that will be required in all film productions receiving tax credits, and provide an onsite liaison for productions subject to the maximum \$5,000 application fee. The liaison is intended to provide assistance in meeting program requirements, including ensuring productions are in the State's best interests.
- Placing the AFO under the purview of the Alaska Film Incentive Review Commission. The review commission, established in DOR, will include commissioners from DOR, DCCED, the Department of Natural Resources, and the Department of Labor and Workforce Development. The commission will review all prequalification and final tax credit applications. Approval will require the positive vote of at least three commission members.
- Requiring productions to include the AFO's logo in the end credits and the words "*Filmed in Alaska with the support of the State of Alaska,*" or, on DVDs or other media produced for distribution, include a short, Alaska promotional video or advertisement approved by the Alaska Film Incentive Review Commission.
- Prohibiting CPAs providing expenditure verification services from engaging in the sale, assignment, exchange, conveyance, or other tax credit certificate transfer that includes a credit issued based on qualified expenditures that were verified by that CPA.
- Expanding tax liabilities against which the tax credit may be offset, doubling the period of time the credit may be redeemed from three to six years, and authorizing state tax credit buybacks. The State may purchase unredeemed tax credits for 75 percent of the tax credit certificate amount.

- Requiring the Division of Legislative Audit to conduct periodic audits of the AFPTIP and make the audits available to the legislature on the first day of the regular legislative session in 2015, 2017, and 2021.

REPORT CONCLUSIONS

The Alaska Film Production Tax Incentive Program (AFPTIP) has generated a net positive economic impact in the State. The results of an economic impact study¹⁰ for the period July 2008 through February 2012 indicate direct spending from AFPTIP approved productions has generated \$2 in economic output for every \$1 in Alaska Film Production Tax Credits (tax credit) issued. Additionally, the study estimates that direct spending by production companies generated 432 Alaska resident full time equivalent (FTE) direct and indirect jobs at a cost, in credits issued, of \$56,600 per FTE. While the study highlights a net positive economic impact, the AFPTIP does not generate tax revenues sufficient to pay for credits issued.

The Alaska Film Office's (AFO) eligibility and application review is adequately designed to protect the State's best interests. However, improvements are needed. Necessary improvements include developing written criteria for evaluating whether a production is not in the State's best interests, and strengthening residency verification and documentation requirements to ensure the State is provided the information necessary to adequately review and approve tax credit calculations.

Except for internship certifications, the AFO is sufficiently meeting its statutory program responsibilities. The AFO is promoting Alaska as a viable film location, cooperating with private entity organizations, and providing production assistance. Although identified as one of its statutory duties, the AFO has not yet certified any internship programs.

Whether the AFPTIP, as compared to other states, is the most cost effective method for incentivizing the film industry cannot be determined. The significant variations in the design of film production incentive programs and differences in state tax structures make comparisons between states problematic. Other states' impact analysis reports on film production incentive programs indicate that all film production programs create positive economic impacts while in operation.

The AFPTIP's net economic impact is positive.

To estimate the AFPTIP's economic and fiscal effects, the consulting firm, Northern Economics (consultant), performed an impact analysis for the period July 2008 through February 2012. The primary objectives for the economic analysis are outlined in Exhibit 5 (following page). The consultant's full report, *Economic Analysis of the Alaska Film Production Incentive Program*, is included as Appendix B.

¹⁰Northern Economics, Inc., *Economic Analysis of the Alaska Film Production Incentive Program*. Prepared for the Division of Legislative Audit, June 2012.

Exhibit 5

Primary Objectives – AFPTIP Economic Analysis

- Use an accepted economic analysis model to determine the AFPTIP's net economic impact on Alaska.
- Estimate the number of FTE Alaska jobs created by the AFPTIP.
- Estimate the net state fiscal impact of the AFPTIP.
- Estimate the multiplier effects of AFPTIP direct spending by year and type.
- Determine the AFPTIP's return on investment: (1) amount of economic benefit for each dollar in tax credit issued and (2) amount of tax credits issued per FTE created in Alaska.

The consultant used the economic analysis model IMPLAN (Impact Analysis for Planning) – an industry recognized input-output model first developed by the United States Department of Agriculture. IMPLAN uses state customized industry specific multipliers to estimate the economic impact of a given amount of initial spending. The spending has three measurable effects: direct, indirect, and induced.

- *Direct effects* are from the direct spending by film production companies on goods and services, and employee wages.
- *Indirect effects* are from spending by local businesses on goods and services as a result of the film production direct spending.
- *Induced effects* are from household spending of income earned by individuals as a result of the direct goods and services, and wage spending.

A detailed description of the consultant's agreed upon methodology for the impact analysis begins on page 58 of Appendix B.

The AFPTIP's estimated benefits significantly exceed the costs. In the consultant's analysis, *net economic impact* is defined as the sum of the economic benefits of the program less the opportunity cost. The formula for this calculation is:

[total film production direct spending + the multiplier impact] - [forgone government spending¹¹ due to credits issued + multiplier impact of forgone spending]

¹¹Forgone government spending assumes the tax credit funding would have been appropriated and expended for some other public purpose.

Exhibit 6

The Net Economic Impact of the AFPTIP		
	<u>Productions Attributable to the AFPTIP</u>	<u>All Productions</u>
Economic Benefits		
Direct Goods and Services Local Spending	\$ 18,875,904	\$ 23,043,472
Direct Resident Wages	7,500,697	8,131,417
Total Direct Spending	26,376,601	31,174,889
Multiplier Impact of Goods and Services	13,882,743	17,008,966
Multiplier Impact of Resident Wages	9,907,656	10,193,841
Total Multiplier Impact	23,790,399	27,202,807
Total Economic Benefits	\$ 50,167,000	\$ 58,377,696
Opportunity Cost¹²		
Foregone Government Spending	(21,169,777)	(24,415,261)
Multiplier Impact of Foregone Spending	(11,142,027)	(12,824,289)
Total Opportunity Cost	(32,311,804)	(37,239,550)
Net Economic Impact	\$ 17,855,196	\$ 21,138,146

The analysis depicted in the first column of Exhibit 6 identifies the net economic impact for productions attributable to the AFPTIP. Productions attributable to the AFPTIP do not include productions that can be reasonably assumed to have occurred with or without the AFPTIP. Productions excluded are ongoing television series that have filmed in Alaska for at least two years prior to the creation of the AFPTIP. The six productions excluded are identified in Appendix C. The net economic impact of productions attributable to the AFPTIP totals \$17.8 million. When all productions receiving tax credits are included, the net economic impact increases to \$21.1 million.

The AFPTIP has a positive return on investment.

The overall results of the consultant's analysis indicate the State realizes a positive return on investment from the AFPTIP. The AFPTIP generates an estimated \$2 in Alaskan economic output for every \$1 dollar in tax credits – an economic multiplier of 2.05 per the consultant's analysis.

¹²Appendix B (page 69) describes the consultant's methodology for calculating opportunity costs.

Total Economic Benefit: \$50,167,000¹³
 Total Tax Credits Issued: \$24,415,261
Benefit Dollar per Credit Dollar: \$2.05

The consultant's analysis also estimated that direct production spending attributable to the AFPTIP created 432 FTE positions in Alaska. The amount of tax credits issued per FTE positions created in Alaska is \$56,517.

Total Tax Credits Issued: \$24,415,261
 FTEs Created in Alaska: 432
FTE cost: \$56,517

The total economic output generated by AFPTIP approved productions exceeds \$58 million.

Film production spending in Alaska from all productions receiving tax credits generated economic output in excess of \$58 million. Exhibit 7 summarizes the overall economic benefits generated by AFPTIP qualified spending for all productions receiving a tax credit from July 2008 through February 2012:

Exhibit 7

Economic Benefits of the AFPTIP and Tax Credits Issued through February 2012 – All Productions						
Year	Direct: Goods and Services	Multiplier Effects of Goods and Services	Direct: Resident Wages	Multiplier Effects of Wages	Total	Tax Credits Issued
2008	\$ 176,686	\$ 147,291	\$ 94,948	\$ 130,716	\$ 549,641	\$ 0
2009	1,621,520	1,256,278	264,754	299,195	3,441,747	244,547
2010	17,589,082	12,748,313	6,602,942	8,474,062	45,414,399	4,583,865
2011	3,656,184	2,857,083	1,168,773	1,289,868	8,971,909	8,978,969
2012	0	0	0	0	0	10,607,880
Total	\$ 23,043,472	\$ 17,008,966	\$ 8,131,417	\$ 10,193,841	\$ 58,377,696	\$ 24,415,261

The relatively large amount of spending and benefits in 2010 is due to the major motion picture *Big Miracle*.

¹³This figure excludes the productions deemed not attributable to AFPTIP. The six productions excluded are identified in Appendix C.

Significant benefits of the program are realized outside Alaska.

Exhibit 8

Direct Wages Spending by Year for all Productions			
Year	Resident Wages	Non- Resident Wages	Total Direct Wages Spending
2008	\$ 94,948	\$ 135,008	\$ 229,956
2009	264,754	1,765,350	2,030,104
2010	6,602,942	23,863,977	30,466,919
2011	1,168,773	18,026,228	19,195,001
Total	\$ 8,131,417	\$ 43,790,563	\$ 51,921,980

Eighty four percent of direct wages for productions approved for credits was paid to non-Alaska residents. Most highly paid production employees are out-of-state residents. The total amount of qualified direct spending on wages for productions approved for tax credits was \$51.9 million. As shown in Exhibit 8, nearly

\$44 million of this amount were paid to non-residents and qualified for, at a minimum, the 30 percent base credit.

As a result, over half of the tax credits issued resulted from wages and other compensation paid to out-of-state residents as shown below:

Non-Resident Wages:	\$43,790,562
Tax Credit Base Rate:	x .30
Credit Attributable to Non-Resident Wages:	13,137,169

Tax Credits Issued through February 2012: ÷ \$24,415,261

Percentage credits attributable to Non-resident wages: = 54%

Additionally, the consultant's analysis concluded total direct spending generated an estimated 1,088 FTE¹⁴ positions. However, as shown in Exhibit 9, only 432 of these were in Alaska.

The AFPTIP has a negative fiscal impact.

In the consultant's analysis, *fiscal impact* is defined as the difference between the amount of Alaska tax credits issued and the estimated additional Alaska corporate

Exhibit 9

FTEs Created by the AFPTIP – All Productions			
Year	Alaska FTEs	Non- Alaska FTEs	Total FTEs
2008	5	2	7
2009	17	42	59
2010	351	358	709
2011	59	254	313
Total	432	656	1,088

¹⁴In Appendix B, the consultant defines *FTE* as working 2,080 hrs a year, or 40 hrs a week.

tax revenues generated. The consultant's analysis estimated that the total \$21.2 million in tax credits issued¹⁵ by the State generated economic activity resulting in an estimated \$1.2 million in additional taxes and fees.¹⁶ The program does not pay for itself and, through February 2012, has created a fiscal deficit totaling \$20 million.

Documentation improvements are needed to adequately demonstrate tax credit calculation accuracy.

There are weaknesses in the documentation requirements placed on qualified producers by the AFO that diminish the ability to verify that tax credit calculations are accurate and supported. These weaknesses include:

- *Alaska residency*, for purposes of determining qualified spending on resident wages, is not clearly defined and cannot be consistently verified.
- Accounting information from production companies does not always provide details necessary to verify goods and services spending was made to Alaska businesses, and resident wages were paid to Alaska residents.

These weaknesses were identified when testing the expenditure support for a sample of ten out of the 37 approved productions receiving tax credits and by the consultant during the course of performing the economic impact analysis. See Recommendation Nos. 1 and 2 for additional discussion.

The AFO has adopted reasonable performance goals but lacks reliable data for measuring progress in meeting employment goals.

The AFO developed performance goals at the end of FY 11. The performance goals focus on employment and production activity. Specific goals include:

- Increasing the number of film and television productions active in Alaska.
- Increasing Alaskan employment resulting from film and television production in Alaska.
- Increasing the number of production crew members, support service providers, and talent listed on the AFO's online service provider database.

Measurement data for the three goals listed above was first reported in the FY 13 proposed operating budget prepared by the Office of Management and Budget. Review of this data found that the AFO reported success in meeting performance goals. However, the information related to Alaskan employment resulting from film and television production is not reliable. For employment data, the AFO relies on film producers' tax credit application information but does not adequately define what film producers must report. The lack of

¹⁵This figure excludes the productions deemed not attributable to the AFPTIP. The six productions excluded are identified in Appendix C.

¹⁶See Appendix B for fiscal impact analysis.

guidance on what to report resulted in production companies inconsistently reporting the number of jobs created by approved productions. See Recommendation No. 3 for additional discussion.

With the exception of certifying internships, the AFO is meeting its statutory program requirements.

With one exception, the AFO has been successful in meeting its primary statutory duties, including cooperating with private entities, promoting Alaska as a filming location, and providing production assistance. The AFO is cooperating with private entities in the Alaska film industry and promoting Alaska by staffing booths at location trade shows and providing updates at trade meetings. The AFO also places notices and advertisements in newsletters and social media concerning Alaska film industry opportunities.

The AFO provides assistance to producers primarily through ReelScout, a commonly used, industry accepted online database. The AFO's ReelScout database identifies Alaska based support services, talent, and crew members available to work in the film industry. Any person may create an account and enter their employment experience and contact information into the database. Producers can, by querying the database, identify available local resources. Additionally, the AFO's website allows Alaska businesses to indicate interest in purchasing tax credits. The listing of interested businesses is provided to production companies receiving tax credits to assist them in transferring credits.

The AFO has not met its statutory requirement to certify Alaska film production internship training programs. According to AFO management, the AFO is in the process of developing internship program requirements and has completed an application form and review checklist. See Recommendation No. 4 for additional discussion.

The AFO's eligibility process is designed to reasonably protect the State's best interests but improvements are needed.

Improvements are needed in the AFO's eligibility process in regard to "*best interest*" determinations, certified public accountant (CPA) review procedures and monitoring, and tax credit application review.

As noted in the background section of this report, to be eligible for a tax credit, the production must not be contrary to the State's best interests based on the AFO's review. Alaska Statutes do not define *best interest* for purposes of AFPTIP production approval. Statutes do, however, identify the specific areas for consideration as shown in Exhibit 3 (page 11).

The AFO has not developed written criteria or policy and procedures for "*best interest*" determinations. To ensure compliance with statute, transparency, and consistency in reviewing applications, the AFO should consider developing written criteria for evaluating a

proposed productions' impact on the State economy, employment, and overall effect on the film industry in Alaska.

The AFO relies on CPAs verifying qualified expenditures for final tax credit application approval. From 2008 through 2011, the guidance the AFO provided to CPA firms performing verification services was not sufficient to ensure accuracy and consistency. The AFO provided no firm requirements or training to CPA firms.

The AFO made significant improvements for 2012 that include written, "*agreed upon procedures*" required to be used by the CPA firms verifying production expenditures in tax credit applications received after February 2012. Additionally, the AFO provided checklists and training to participating firms to ensure consistency. To further improve the application review process, the AFO should consider periodically reviewing CPA firms' verification work to ensure compliance with the agreed upon procedures. See Recommendation Nos. 1 and 2 for improvements needed in expenditure documentation and residency verification.

The AFO has reduced credits for errors identified during tax credit application reviews, but the process lacks transparency. The AFO lacks formal procedures for documenting the disallowed costs identified during the review process. To improve transparency and ensure AFO decisions are adequately recorded and maintained, a detailed listing of disallowed costs should be prepared and retained.

The AFO has developed regulations necessary to meet program requirements.

The AFO has been active in developing, implementing, and amending regulations as necessary for AFTPIP administration. Furthermore, regulations have been implemented in accordance with state requirements. The AFO is currently in the process of updating regulations. The update will include changes precipitated by the passage of Senate Bill 23 which significantly altered the AFPTIP.

Complaints made to the State regarding the AFO or the AFPTIP have been processed and resolved.

Complaints made to the Department of Commerce, Community, and Economic Development and the AFO have been processed and reasonably resolved. No complaints regarding the AFO or the AFPTIP have been made to either the Office of the Ombudsmen or the Department of Revenue.

Under the AFO's definition of *Alaska spend*, significant program benefits are realized out of state.

In its FY 11 annual report to the legislature, the AFO reported Alaska spend at an amount that included all qualified expenditures. In this report, the AFO calculated a credit issued/Alaska spend ratio of 0.33. That is, the State issues 33 cents in tax credits for every dollar in production spending in Alaska. As noted previously, qualified expenditures include

a significant amount of non-resident wages. Including non-resident wages as state spending overstated the AFPTIP's direct economic benefits to Alaska.

Beginning in FY 12, the AFO defined *Alaska spend* as the amount of production spending to state residents and Alaska vendors. This is a reasonable definition of state spending for evaluating the direct economic benefits of the program. Under this definition of *Alaska spend*, through February 2012, the AFPTIP has a credit issued/Alaska spend ratio of 0.78.¹⁷ That is, the State issues 78 cents in tax credits for every dollar in production spending in Alaska. This calculation does not include any multiplier effects – only direct spending.

AFPTIP qualified expenditures are comparable to other states' programs.

Based on an analysis of the 41 other film production incentive programs listed in Appendix A, with one exception, all programs allow in-state production expenditures and resident wages to qualify for an incentive benefit. Furthermore, none allow out-of-state production expenditures to qualify. The majority of programs (78 percent) allow non-resident wages as qualified expenditures though most place limitations on the amount of non-resident and/or ATL wages that can be claimed.

Alaska has a very competitive program and has been successful in attracting productions to the State – including two major motion pictures. Overall, AFPTIP qualified expenditures are not too broad or restrictive and not unusual compared to other state programs.

Based on available information, production companies selling tax credits have received an average of 82 percent of the credits' value.

As noted in the background section of this report, tax credits are fully transferable and available for use by any corporation with an Alaska corporate income tax liability. In transfer transactions, producers typically sell tax credits at a discount. As of February 2012, 36 of the 39 tax credits issued have been transferred to corporations. Appendix C lists the tax credits issued through February 2012. Based on sales price information covering 33 percent of the total dollar value of credits transferred,¹⁸ the average sales price received for a tax credit was 82 percent of the credit amount. The highest sales price was 90 percent, and the lowest was 75 percent. Exhibit 10 (following page) shows the entities, summarized by line of business, that have purchased tax credits.

¹⁷Calculated as: total credits issued divided by the sum of total direct spending on goods and services and resident wages ($\$24,415,261 / (\$23,043,472 + 8,131,417) = \0.78).

¹⁸We received information on the tax credit sales price for 24 of the 36 credits transferred (67 percent).

Exhibit 10

Status of Tax Credits Issued through February 2012		
Industries Purchasing Tax Credits (Line of Business)	Number of Credits	Amount of Credits Purchased
Arts, Entertainment and Recreation	10	\$ 5,571,912
Finance and Insurance	8	5,783,106
Professional and Technical Services	1	617,230
Food Manufacturing	16	1,320,860
Retail Trade	3	1,327,668
Not transferred through February 2012	3	9,794,485
Total		\$ 24,415,261

As noted in the Background Information section of this report, Senate Bill 23, effective July 2013, significantly expands tax credit transferability. Senate Bill 23 expands the tax types against which the film production tax credit may be offset, doubles the period of time over which the credit may be redeemed, and authorizes state buyback of the tax credit for 75 percent of the credit certificate amount.

Whether Alaska's film incentive program is the most cost effective method for incentivizing the state film industry cannot be determined.

An examination of available economic impact reports for other states' programs could not conclude on the relative benefits of the various types of film incentive programs. Too much variation exists in individual program design, state economies, tax structures, demographics, and economic analysis methodologies for reliable comparison.

A common conclusion from all studies, however, is that film incentive programs produce positive economic benefits. Some reports recommended increases to remain competitive. None suggested that state programs should be eliminated despite the fact that the majority of state programs do not generate tax revenues sufficient to pay for credits issued.

The AFPTIP is competitive with other states. With a maximum credit of 44 percent on qualified expenses, the AFPTIP is one of the more attractive programs available. The high credit maximum, no cap on qualified expenditures, and no limitations on ATL and non-resident wages make AFPTIP very competitive. However, as noted previously, this results in much of the AFPTIP's economic benefits occurring outside of Alaska. Additionally, non-refundable tax credits reduce the benefits available to film producers lacking sufficient tax liability to redeem a tax credit. As a result, a small number of corporations are buying and utilizing the tax credits at a discount.

Finding a balance between maximizing benefits to the State and remaining attractive to film producers is challenging. Senate Bill 23 attempts to strike a balance by reducing the tax

credit rate available for non-resident ATL wages while adding significant incentives to hire resident talent. Additionally, Senate Bill 23 adds a buyback option at 75 percent of the credit value making Alaska one of only two states issuing transferable tax credits with a state buyback option.

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FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Alaska Film Office (AFO) development specialist should strengthen qualified expenditure documentation requirements to ensure Alaska Film Production Tax Credit (tax credit) calculations are adequately supported.

The State lacks sufficient documentation to fully demonstrate tax credit calculations are accurate. In many cases, information submitted to the AFO by production companies did not provide sufficient details to verify non-wage goods and services spending was made to Alaska businesses, and resident wages were paid to Alaska residents.

Sample basis testing of the resident wage and non-wage qualified expenditures for ten of the 37 productions (totaling \$22 million out of \$31 million in Alaska spending) identified the following documentation issues.

Non-Wage Goods and Services Made to Alaska Businesses

- Seventy-two non-wage items totaling \$883,000 did not identify a business name. Description of payments included items such as: “*per diem*,” “*hotels*,” and “*other*.”
- Five hundred seventy-eight non-wage items totaling \$3.7 million identified an individual’s name rather than a business name. Of these, 234 were also individuals listed as receiving non-resident wages.
- Forty-eight non-wage items totaling \$277,000 were made to vendors with non-Alaska business addresses.

Wages Paid to Residents

- One hundred forty-five resident wage items totaling \$135,000 did not include an employee address.
- One hundred thirty-four resident wage items totaling \$286,000 were made to individuals with non-Alaska addresses.
- Eighteen resident wage items totaling \$367,000 did not identify an individual. Descriptions of payments appear to be business names.
- Forty-two of 132 tested individuals could not be verified as Alaska residents through querying the Alaska Permanent Fund Dividend (PFD) and the Division of Motor Vehicles database.

It is likely that a portion of the documentation issues noted above were identified during certified public accountant (CPA) verification. A total of \$240,000 and \$660,000 of non-wage and resident wage spending was disallowed or re-classified during CPA verification of

the qualified spending for these productions. However, the specific items disallowed or re-classified are not identified in the support provided to the AFO so this cannot be confirmed.

As noted in Appendix B, Northern Economics (consultant) identified similar expenditure documentation issues during review of direct spending used in the economic impact analysis.

Alaska Statute 44.33.236(a) requires qualified expenditures be directly related to the production and be incurred in the State. Various qualified expenditures require that payments be to an Alaska business. Wages and salaries paid to Alaska residents receive a tax credit of ten percent in addition to the 30 percent base rate. The inability to verify that spending for goods and services was made to Alaska businesses, and resident wages were paid to Alaska residents, increases the likelihood that credits were issued in excess of allowable amounts.

When approving tax credit applications, the AFO relies on independent CPAs verifying qualified expenditures. The AFO does not require production companies, or the CPAs performing verifications, to provide the detailed expenditure support necessary to verify amounts approved as resident wages and payments to Alaska vendors. Without an adequate audit trail, the accuracy of AFO tax credit calculations cannot be independently verified.

We recommend the AFO development specialist strengthen qualified expenditure documentation requirements to ensure production companies and CPA firms provide details necessary to support the accuracy of tax credit calculations. At a minimum, this should include ensuring that wage payment support identifies the payee's full name and address, and vendor payments identify a valid business name and address.

Recommendation No. 2

The Department of Commerce, Community, and Economic Development's (DCCED) Division of Economic Development (DED) director should consider amending Alaska Film Production Tax Incentive Program (AFPTIP) regulations to more clearly define Alaska residency and provide CPAs a more effective method of verifying expenditures claimed as resident wages.

Alaska residency, for purposes of determining qualified spending on resident wages, is not clearly defined in AFPTIP regulation and cannot be readily verified.

AFPTIP regulation defines *Alaska residency* per reference to AS 01.10.055 as:

- (a) *A person establishes residency in the state by being physically present in the state with the intent to remain in the state indefinitely and to make a home in the state.*

- (b) *A person demonstrates the intent required under (a) of this section*
- (1) *By maintaining a principal place of abode in the state for at least 30 days or for a longer period if a longer period is required by law or regulation; and*
 - (2) *By providing other proof of intent as may be required by law or regulation, which may include proof that the person is not claiming residency outside the state or obtaining benefits under a claim of residency outside the state.*
- (c) *A person who establishes residency in the state remains a resident during an absence from the state unless during the absence the person establishes or claims residency in another state, territory, or country, or performs other acts or is absent under circumstances that are inconsistent with the intent required under (a) of this section to remain a resident of this state.*

To qualify as a resident, a person must be physically present in the State, intend to remain, and have maintained a home for at least 30 days. Currently, AFO regulations do not require a longer period of physical presence or any proof of intent as described under AS 01.10.055(b).

The AFO relies on independent CPAs verifying qualified expenditures. From 2008 through 2011, the AFO's suggested guidelines for CPA verification of Alaska residency were to:

1. Search the online PFD applicant database.
2. Search online phone books and/or the internet.

These guidelines are not well suited for verifying residency as defined in current AFPTIP regulations. The PFD online database only includes names of applicants and does not distinguish between individuals approved or denied. Additionally, PFD eligibility requires living in Alaska for the entire one year qualifying period. Phone book and internet searches are inherently unreliable due to timing differences and non-participation. AFO compliance guidance for CPA verifications made effective 2012 requires CPAs to verify residency for all Alaska resident wages claimed but does not specify how this can be accomplished.

Wages and salaries paid to Alaska residents receive a minimum 40 percent tax credit. A clear and specific definition of *residency* would increase CPAs' ability to verify amounts claimed as Alaska wages and decrease the State's risk of issuing credits in excess of allowable amounts.

We recommend DED's director consider amending AFPTIP regulations to more clearly define *Alaska residency* and provide CPAs a more effective method of verifying expenditures claimed as resident wages.

Recommendation No. 3

The AFO development specialist should strengthen procedures for collecting and reporting Alaska employment data to ensure reliable information is available for program evaluation.

AFO performance measures, established at the end of 2011, include the goal to: "*Increase Alaska employment resulting from film and television production in Alaska.*" The data for measuring progress towards this goal is provided by production companies reporting Alaska employment as required by the tax credit application. Obtaining consistent data is needed for effective program evaluation.

From 2008 through 2011, the AFO's method of obtaining employment data from film production companies did not provide reliable information due to inconsistency in reporting the number of jobs created and lack of specificity as to the year jobs were created.

The AFO collects employment information from each production as part of the tax credit application process. Until 2012, the tax credit final application form required production companies to report the "*Number of Alaska jobs created (full time equivalent).*" However, no *full time equivalent* (FTE) definition was provided. Due to this ambiguity, production companies' calculation of Alaska FTEs was inconsistent. Production companies appear to have not fully understood what to report as illustrated by the examples provided below:

Production	Alaska FTEs	Alaska Wages	Alaska Wages/FTE
A	2	\$ 135,000	\$ 67,500
B	38	\$ 275,000	\$ 7,237
C	8	\$ 9,000	\$ 1,125

As noted previously, the consultant defined *FTE* as a job that equates to working 2,080 hrs a year, or 40 hrs a week. In example C above, based on this definition, wages paid per FTE totaling \$1,125 amounts to an hourly wage of 54 cents. Alternatively, the hourly wage for example A amounts to \$32. Example A appears to be a more reasonable estimate of FTEs created when compared to example C.

In 2012, the AFO revised the tax credit application form and now requires a count of Alaska production personnel hired and the average number of weeks worked. This simplifies the reporting requirements and may provide the AFO with information necessary to evaluate the AFPTIP's employment benefits and accurately measure progress in meeting established performance goals.

We recommend the AFO development specialist strengthen procedures for collecting and reporting Alaska employment data to ensure reliable information is available for program evaluation.

Recommendation No. 4

The AFO development specialist should develop film production internship training program certification procedures.

The AFO has not certified any Alaska film production internship training programs.

Alaska Statute 44.33.231 creates the AFO and establishes its duties. One of the AFO's statutory duties is to certify Alaska film production internship training programs and promote program interns' employment by eligible productions.

The AFO lacks fully documented procedures for certifying Alaska film production internship training programs. According to AFO management, this was due to competing priorities and minimal interest from outside entities. In 2012, the AFO has made progress in creating a certification framework including developing an internship provider application. However, efforts to create a fully developed certification program remain a work-in-progress.

Film production internship programs may create opportunities for developing local film industry resources and contribute to long-term industry growth. Without written procedures outlining requirements for certification, entities interested in sponsoring an internship program lack the guidance necessary to proceed. Furthermore, without documenting criteria necessary for certification as an Alaska film production internship training program, the AFO's decisions to approve or deny applicants may lack transparency.

We recommend the AFO development specialist develop film production internship training program certification procedures.

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Appendix A

Film Production Incentive Program
 United States, District of Columbia, and British Columbia
 Program Parameters – February 29, 2012

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
Alabama	Tax Credit	Y	N	N	25% of Spend Plus 35% of Residential Labor		There is no project cap. Minimum spend is \$500,000. Maximum spend is \$10 million. Annual funding is \$10 million. CPA review is required.
Alaska	Tax Credit	N	Y	3 yrs	30% of Spend Plus 10% of Resident Labor Plus 2% of Seasonal Plus 2% of Rural		There is no project cap. Minimum spend is \$100,000. The aggregate funding cap is \$100 million through June 2013. An additional \$200 million is available through June 2023. CPA review is required.
Arizona - Sunset 2010							
Arkansas	Rebate	Y	N	N	15% Plus 10% of BTL Resident Labor	Salaries over \$500,000 are excluded.	There is no project cap. Minimum spend is \$50,000. Annual cap per fiscal year is \$5 million. An Arkansas financial institution must be used for all qualified spending. CPA review is required.
British Columbia, Canada	Tax Credit	Y	N	N	33% of Residential Labor Plus 6% of Regional Plus 6% of Distant plus 17.5% of DAVE	Non-resident wages are excluded.	There is no project cap. Minimum spend is \$1 million for film, \$100,000 if less than 30 minutes and \$200,000 if more than 30 minutes for TV. There is no annual funding cap. Production companies must have a permanent establishment in British Columbia. No CPA review is required.
California	Tax Credit	N	Y	5 yrs	20% or 25% of Local Spend	ATL is excluded.	There is no project cap. Minimum spend is \$1 million for TV or film and \$500,000 for miniseries or movies of the week. Annual funding cap is \$100 million. At least 75% of production days or of the total budget must be in-state. CPA review is required.

Appendix A
(Continued)

**Film Production Incentive Program
Unites States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
Colorado	Rebate	Y	N	N	10% Base Rate	Up to \$3 million are permitted for each resident and non-resident wage.	There is no project cap. Minimum spend is \$100,000 for CO companies and \$250,000 for non CO companies. Available funding is \$1million. More than 25% of crew must be residents. No CPA review is required.
Connecticut	Tax Credit	N	Y	3 yrs	10% for \$100,000-\$500,000 of Spend; 15% for \$500,000-\$1 Million of Spend; 30% for More Than \$1 Million of Spend	Star talent cap is \$20 million per project.	There is no project cap. Minimum spend is \$100,000. An infrastructure investment credit of 20% is available for state certified projects of \$3 million or more. CPA review is required.
Delaware - Currently no program							
District of Columbia	Rebate	Y	N	N	21% of Untaxed Expenditures; 30% of Wages; 42% of Taxed Expenditures	ATL is excluded.	There is no project cap. Minimum spend is \$250,000. Annual funding is subject to availability. No CPA review is required.
Florida	Tax Credit	N	Y	5 yrs	20% Base Rate Plus 5% of Off Season Plus 5% of Family-Friends	Up to \$400,000 are permitted for each resident wage. Non-residents are excluded.	Project caps are \$8 million for film and \$500,000 commercials and/or music. Minimum spend is \$625,000 for film, \$100,000 for independent production, \$500,000 for commercials and/or music; \$242 million are available through June 2015. CPA review is required.

Appendix A
(Continued)

**Film Production Incentive Program
United States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
Georgia	Tax Credit	N	Y	5 yrs	20% Base Rate Plus 10% of Qualified Promotion	Up to \$500,000 are permitted on each resident and non-resident wage.	There is no project cap. Minimum local spend is \$500,000. There is no maximum spend. There is no cap on annual funding. CPA review is voluntary.
Hawaii	Tax Credit	Y	N	N	15% of Spend in Counties ≥ 700,000 Population; 20% of Spend in Counties < 700,000 Population		Project cap is \$8 million. Minimum spend is \$200,000. There is no annual funding cap. No CPA review is required.
Idaho	Rebate	Y	Y	N	20% Base Rate	ATL is excluded.	There is a \$500,000 rebate per project cap. Minimum spend is \$200,000. Residents must compose 30% of the crew. Annual funding cap is \$1 million, but not yet funded. No CPA review is required.
Illinois	Tax Credit	N	Y	5 yrs	30% of Spend Plus 15% of Resident Labor from High Poverty/ Unemployed Areas	Up to \$100,000 are permitted for each resident. Non-residents are excluded.	There is no project cap. Minimum spend is \$50,000 if the production is less than 30 minutes and \$100,000 if the production is over 30 minutes. There is no annual funding cap. CPA review is required.
Indiana - Sunset 2011							
Iowa - Suspended 2009							

Appendix A
(Continued)

**Film Production Incentive Program
Unites States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
Kansas	Tax Credit	N	N	3 yrs	30% Base Rate	Non-residents are excluded except for performing artists paying state tax.	There is no project cap. Minimum spend is \$50,000 if the production is less than 30 minutes and \$100,000 if the production is over 30 minutes. Annual funding cap is \$2 million. No CPA review is required.
Kentucky	Tax Credit	Y	N	N	20% Base Rate	Up to \$100,000 are permitted for each ATL resident and non-resident.	There is no project cap. Minimum spend is \$50,000 for documentaries, \$200,000 for commercials, and \$500,000 for film and TV. FY 12 funding is \$7.5 million. No CPA review is required.
Louisiana	Tax Credit	Y	Y	10 yrs	30% Plus 5% of Resident Wages	There is an additional 5% bonus on the first \$1 million for each resident.	There is no project cap. Minimum spend is \$300,000. There is no annual funding cap. State buyback is 85% of the credit face value. CPA review is required.
Maine	Rebate	Y	N	N	10% of Non-Resident Wages; 12% of Resident Wages	Up to \$50,000 are permitted for each resident and non-resident.	There is no project cap. Minimum spend is \$75,000. There is no annual funding cap. No CPA review is required.
	Tax Credit	N	N	N	5% of Non-Wage Spending		There is no project cap. Minimum spend is \$75,000. There is no annual funding cap. No CPA review is required.

Appendix A
(Continued)

**Film Production Incentive Program
Unites States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
Maryland	Tax Credit	Y	N	N	25% or 27% of TV Production Expenses	Salaries over \$500,000 are excluded.	There is no project cap. Minimum spend is \$500,000. Fifty percent or more of filming must be in-state. The annual funding cap is \$7.5 million. CPA review is required.
Massachusetts	Tax Credit	Y	Y	5 yrs	25% Base Rate	Salaries over \$1 million are excluded unless 50% of production is in-state.	There is no project cap. Minimum spend is \$50,000. There is no annual funding cap. The state will buy the credit for 90% of face value remaining after the credit is applied to taxes. CPA review is required.
Michigan	Rebate	Y	N	N	27% of Production Expenditures; 32% of Resident Labor; or 25% of Non-Resident BTL; or 27% of Non Resident ATL	The first \$2 million of each crew member's wages are eligible for a 32% credit.	There is no project cap. Minimum spend is \$100,000. Annual funding cap is \$25 million. CPA review is required.
Minnesota	Rebate	Y	N	N	15% of Spend under \$5 Million; 20% of Spend over \$5 Million	Non-resident wages are excluded.	There is no project cap. Minimum budget is \$625,000 for film, \$200,000 for documentary, \$75,000 for postproduction. Films must be longer than 80 minutes and 60% of production done in-state. Biennial funding is \$500,000. CPA review is required if budget exceeds \$1 million.

Appendix A
(Continued)

**Film Production Incentive Program
United States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
Mississippi	Rebate	Y	N	N	25% of Spend and Non-Resident Wages; 30% of Resident Wages	Only the first \$1 million are permitted for each resident wage and non-resident wage if subject to state withholding.	Project cap is \$8 million. Minimum spend is \$50,000. Annual cap is \$20 million. Qualified wages must be subject to state income tax withholding. No CPA review is required.
Missouri	Tax Credit	N	Y	5 yrs	35% or 30% of Non-Resident Labor	Salaries over \$1 million are excluded.	There is no project cap. Minimum spend for productions under 30 minutes is \$50,000, longer than 30 minutes is \$100,000. Annual funding is \$4.5 million. Qualified wages must be subject to state income tax withholding. No CPA review is required.
Montana	Tax Credit	Y	N	4 yrs	14% of Resident Labor; 9% of Spend	Up to \$50,000 per resident is permitted for the 14% credit. Non-resident wages are excluded.	There is no project cap. There is no minimum spend. There is no annual funding cap. No CPA review is required.
Nebraska - Currently no program							
Nevada - Currently no program							
New Hampshire - Currently no program							

Appendix A
(Continued)

**Film Production Incentive Program
Unites States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
New Jersey	Tax Credit	N	Y	7 yrs	20% Base Rate		There is no project cap. There is no minimum spend. Annual funding is \$10 million. Qualified wages must be subject to state income tax. Sixty percent of spending must be local. Tax credits cannot exceed 50% of taxpayer liability. CPA review is required.
New Mexico	Tax Credit	Y	N	N	25% Base Rate	Performing artists are capped at \$20 million per project.	There is no project cap. There is no minimum spend. Annual funding is \$50 million. Credits under \$2 million are paid immediately; credits over \$2 million are paid in 2 to 3 installments over a 2 year period. CPA review is required if a credit is greater than \$5 million.
New York	Tax Credit	Y	N	N	30% Base Rate	ATL resident and non-resident wages are excluded	There is no project cap. There is no minimum spend. Annual funding is \$420 million. Credits less than \$1 million are claimed in full. Credits between \$1 million and \$5 million are paid equally over two years. Credits over \$5 million are paid equally over three years. No CPA review is required.
North Carolina	Tax Credit	Y	N	N	25% Base Rate	Up to \$1 million are permitted for each crew member.	Project cap is \$20 million except for episodic TV. Minimum spend is \$250,000. There is no annual funding cap. No CPA review is required.
North Dakota - Currently no program							
Ohio	Tax Credit	Y	N	N	25% of Spend and Non-Resident Labor; 35% of Resident Labor		Project cap is \$5 million. Minimum spend is \$300,000. Biennium funding cap is \$20 million. CPA review is required.

Appendix A
(Continued)

**Film Production Incentive Program
United States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
Oklahoma	Rebate	Y	N	N	35% Plus 2% of Local Music (\$20,000 Minimum)	ATL resident and non-resident are capped at 25% of total rebate.	There is no project cap. Minimum budget is \$50,000, and local spend is \$25,000. Annual funding cap is \$5 million. Infrastructure credit is 10% to 25% of music and/or film production facility construction in-state. Non-resident ATL must be paid through a loan-out company registered to do business in-state. CPA review is required.
Oregon	Rebate	Y	N	N	20% of Goods and 10% of Resident Wages Plus 6.2% of Wages Subject to State Withholding	Resident and non-resident salaries over \$1 million are excluded.	There is no project cap. Minimum spend is \$750,000. Minimum spend is \$1 million to receive the 6.2% bonus credit. There is an additional 6.2% of minimum spend on \$1 million. Annual funding is \$7.5 million. No CPA review is required.
Pennsylvania	Tax Credit	N	Y	3 yrs	25% Base Rate	ATL performing artists are capped at \$15 million per project.	Projects may be capped at 20% of annual funding. Minimum spend is 60% of total expenditures occurring in-state. Annual program funding is \$60 million. CPA review is required.
Rhode Island	Tax Credit	N	Y	3 yrs	25% Base Rate		There is no project cap. Minimum budget is \$300,000 with more than 51% principal photography days in-state. Production companies must be incorporated or formed in-state. Annual funding is \$15 million. CPA review is required.

Appendix A
(Continued)

**Film Production Incentive Program
Unites States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
South Carolina	Rebate	Y	Y	N	30% of Supplier Non-Wage Spending; 20% of Resident Wages (and Actors and Stunt Performers Regardless of Residency); 10% of Non-Resident Wages	Up to \$35,000 is permitted for each non-resident crew member. Resident and non-resident salaries over \$1 million are excluded.	There is no project cap. Minimum spend is \$1 million per tax year. Annual funding is \$10 million for the wage rebate and a minimum of \$5.5 million for supplier rebate. No CPA review is required.
South Dakota - Currently no program							
Tennessee	Grant	Y	N	N	17% Base Rate	Up to \$250,000 are permitted for each resident. Non-residents are excluded.	Project cap is \$4 million. Minimum spend is \$150,000 for in-state producers and \$500,000 for out-of-state producers. No CPA review is required.
	Rebate	Y	N	N	15% Base Rate		There is no project cap. Minimum spend is \$1 million. Production companies establishing headquarters in-state qualify for the 15% bonus. No CPA review is required.

Appendix A
(Continued)

**Film Production Incentive Program
Unites States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
Texas	Grant	Y	N	N	5% to 25% Plus 2.5% to 4.25% of Shooting in Underutilized Areas	The first \$1 million are permitted for each resident. Non-resident wages are excluded.	There is no project cap. Minimum spend is \$250,000 for film and TV and \$100,000 for commercials. Grant percentage is based on local spend amount. Annual funding is \$15 million. Seventy percent of cast and crew must be residents. CPA review is required if grant exceeds \$300,000.
Utah	Tax Credit	Y	N	N	20% Base Rate Plus 5%	Up to the amount of income tax paid on earnings is permitted for non-residents.	There is no project cap. Minimum spend is \$1 million. Annual funding is \$6.7 million. The 5% bonus is based on requirements and agreements between a production company and the state. CPA review is required.
	Rebate	Y	N	N	20% Base Rate Plus 5%	Up to the amount of income tax paid on earnings is permitted for non-residents.	Project cap is \$500,000. Minimum spend is \$1 million. Program has \$2 million remaining. The 5% bonus is based on requirements and agreements between a production company and the state. CPA review is required.
Vermont - Currently no program							
Virginia	Tax Credit	Y	N	N	15% or 20% Base Rate Plus 10% or 20% Resident Wages	The first \$1 million are permitted for each resident and non-resident wages.	There is no project cap. Minimum spend is \$250,000. Biennial funding is \$2.5 million. Base credit is 15% or 20% if filmed in a distressed area. If resident wages exceed \$250,000, 10% is added, or exceed \$1 million, 20% is added. No CPA review is required.

Appendix A
(Continued)

**Film Production Incentive Program
Unites States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

State	Incentive Type	Rfd	Trnsf	Carry Fwd	Incentive Rates	Limits on Qualified Labor	Program Description
Virginia (Continued)	Grant	N	N	N	Discretionary Cash Grant		There is no project cap. There is no minimum spend. Biennial funding is \$2 million. No CPA review is required.
Washington - Sunset 2011							
West Virginia	Tax Credit	N	Y	2 yrs	27% Base Rate Plus 4% of Spend If 10 or More Residents Are Full-Time	Wages are subject to state tax for residents and non-residents.	There is no project cap. Minimum spend is \$25,000. Annual funding cap is \$10 million. CPA review is required.
Wisconsin	Tax Credit	Y	N	N	25% Base Rate	Residents earning \$250,000 or more and all non-residents are excluded.	Project cap is \$100,000 (20% of annual funding). Minimum spend is \$50,000 for salary and wages. Thirty-five percent of the spending must be in-state. Annual funding is \$500,000. CPA review is required.
Wyoming	Rebate	Y	N	N	12% to 15% Base Rate	Non-resident wages are excluded	There is no project cap. Minimum spend is \$200,000. Biennium funding is \$900,000. Rebate percentage varies based on how much state is showcased in production. No CPA review is required.

Appendix A
(Continued)

**Film Production Incentive Program
Unites States, District of Columbia, and British Columbia
Program Parameters – February 29, 2012**

Attachment 1 Legend:

ATL - Above-the-line personnel

BTL - Below-the-line personnel

DAVE - Digital Animation or Visual Effects

Rfd - Refundable - entity has to submit tax return and receives amount greater than liability as a refund

Trnsf - Transferable

Loan-out company – a corporation (such as an LLC) that is set up as a separate and legal entity usually for an actor, recording artist or other individual for the purposes of using the loan-out company's corporate legal protection.

Sources: Cast & Crew Entertainment Services "TIP - The Incentives Program" Winter 2012; Entertainment Partners "Basic Overview of US and International Production Incentives" January 2012; State Film Office Websites

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HB 112
Fiscal Note Number: 1
(H) Publish Date: 3/22/13

Identifier: HB112-DCCED-DED-03-07-13
Title: REPEAL FILM PRODUCTION TAX CREDIT
Sponsor: STOLTZE
Requester: House Labor & Commerce

Department: Department of Commerce, Community and
Economic Development
Appropriation: Economic Development
Allocation: Economic Development
OMB Component Number: 2743

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

--	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/13

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By:	Lorene Palmer, Director	Phone:	(907)465-2625
Division	Division of Economic Development	Date:	03/07/2013 09:00 AM
Approved By:	JoEllen Hanrahan, Director	Date:	03/07/13
	Administrative Services Division		

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HB 112

Analysis

HB 112 repeals the film production tax credit, modifies the statute for recovery of the tax credit, and adds transitional language that allows the state to meet its existing obligations to those businesses that previously received a tax credit. HB 112 leaves intact DCCED's responsibility to promote and develop the film production industry consistent with ch. 51, SLA 12, Section 29, 44.33.231(a-b).

There is no anticipated fiscal impact to the Division of Economic Development from this bill. Regulations regarding the film production tax credit will be repealed.

ALASKA STATE LEGISLATURE

Co-Chair:
House Finance Committee

Chair:
House Finance Subcommittees for;
Alaska Court System
Fish & Game

Member:
Legislative Council
Committee on Committees
Legislative Budget & Audit (alt)



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Sponsor Statement
For House Bill 112
by Representative Bill Stoltze

"An Act repealing the film production tax credit; providing for an effective date by repealing the effective dates of secs. 31 - 33, ch. 51, SLA 2012; and providing for an effective date."

House Bill 112 repeals the film production tax credit program as passed by the 27th Legislature, but will leave the film production program office in place.

The bill also authorizes the Department of Revenue to review and audit the record for previous recipients of film tax credits and allows the Department of Revenue the ability to recover certain damages.

I ask for your consideration and support of HB 112.

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HB 112
Fiscal Note Number: 2
(H) Publish Date: 3/22/13

Identifier: HB112-DOR-TAX-03-12-13
Title: REPEAL FILM PRODUCTION TAX CREDIT
Sponsor: STOLTZE
Requester: (H) L&C

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
Personal Services	(148.0)	148.0	(148.0)	(148.0)	(148.0)	(148.0)	(148.0)	(148.0)
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	(148.0)	148.0	(148.0)	(148.0)	(148.0)	(148.0)	(148.0)	(148.0)

Fund Source (Operating Only)

1004 Gen Fund	(148.0)	148.0	(148.0)	(148.0)	(148.0)	(148.0)	(148.0)	(148.0)
Total	(148.0)	148.0	(148.0)	(148.0)	(148.0)	(148.0)	(148.0)	(148.0)

Positions

Full-time	(3.0)	1.0	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Part-time								
Temporary								

Change in Revenues		***	***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 06/30/19

Why this fiscal note differs from previous version:

Initial version.

Prepared By: Johanna Bales, Deputy Director
Division: Tax Division
Approved By: Bryan D. Butcher, Commissioner
Department of Revenue

Phone: (907)269-6628
Date: 03/12/2013 01:32 PM
Date: 03/12/13

FISCAL NOTE ANALYSIS #2

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HB 112

Analysis

Bill Language:

This bill would repeal the current film production tax credit and the provisions of Chapter 51, SLA 12, which moved the Film Office to the Department of Revenue from the Department of Commerce, Community and Economic Development (DCCED), extended the film program for 10 years, and increased the total aggregate film credits allowed to be awarded from \$100 million to \$300 million. The bill allows a tax credit to be awarded to any production that receives a notice of qualification under current law, provided that the notice of qualification is submitted prior to July 1, 2013 and that total aggregate film credits awarded do not exceed \$100 million. This bill keeps the provision in existing statute that allows the Department of Revenue to file legal proceedings up to 6 years after the date a tax credit is awarded if the department determines that the film producer is liable for damages to the state or any political subdivision of the state.

Revenues:

The original film credit program was established in 2008 with a sunset provision of June 30, 2013. The aggregate amount of film credits available to be authorized during the original 5-year period was \$100 million. Chapter 51, SLA 12, extended the film program 10 years to June 30, 2023 and increased the aggregate amount of film credits allowed to be awarded to \$300 million. To date, the Department of Revenue has issued \$35.1 million in film credits. The Film Office within DCCED has received approximately \$48 million in additional requests for film credits which may receive a notice of qualification under existing statute and, therefore, be qualified to receive a film tax credit. If all productions receive a notice of qualification prior to July 1, 2013, the maximum credits issued under existing law would be approximately \$83 million. If the film tax credit program is repealed, as a result of this legislation, and there are no more productions to request and be awarded a notice of qualification, the state could see an increase in tax revenue of approximately \$217 million between July 1, 2013 and June 30, 2023. This amount represents the difference between the current statutory cap of \$300 million and the maximum credits that could be issued by July 1, 2013.

Expenditures:

The department requested and received three additional positions to administer the film program within the Department of Revenue. Although the positions were approved, the department did not receive funding for two of the positions. Therefore, the repeal of the film production tax credit would result in personal service savings of 148.0 to the department and the three positions requested would be eliminated from the department's budget, in the future. We anticipate the provisions within this bill can be implemented in the Tax Division using existing staff and resources.

Regulations:

Regulations adopted by the department for this program would be repealed by June 30, 2019.

Appendix B

Economic Analysis of the Alaska Film Production Incentive Program

Final Report

Prepared for

Division of Legislative Audit

June 2012

Prepared by



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Abbreviations

AFO	Alaska Film Office
AFPIP	Alaska Film Production Incentive Program
BEA	Bureau of Economic Analysis
BLS	Bureau of Labor Statistics
DCCED	Alaska Department of Commerce, Community, and Economic Development
DOR	Alaska Department of Revenue
FTE	Full-Time Equivalent
MIG, Inc.	Minnesota IMPLAN Group, Inc.
NAICS	North American Industry Classification System
NEI	Northern Economics, Inc.
QCEW	Quarterly Census of Employment and Wages
SOA	State of Alaska

Executive Summary

The purpose of this study is to evaluate the economic and fiscal impacts of the Alaska Film Production Incentive Program (AFPIP) which was signed into law in June of 2008. The Program is designed to create economic development in Alaska and to expand the film industry in the state.

The analysis shows that since the Program started, the Program benefits outweigh the Program costs in terms of value of economic output generated and lost. The table below shows the comparison of economic benefits and costs of the Program.

The economic impact analysis indicates that the Program results in an increase of \$2 in economic output in the state for every dollar of tax credit issued. Furthermore, the amount of tax credits issued per FTE created in Alaska is \$56,600.

Table ES-1. Net Annual Economic Impact of the Alaska Film Incentive Program

Year	Economic Benefits	Economic Costs	Net Economic Effect
2008	\$549,641	\$0	\$549,641
2009	\$1,733,475	\$368,083	\$1,365,391
2010	\$41,266,992	\$4,095,157	\$37,171,835
2011	\$6,616,893	\$12,333,415	-\$5,716,523
2012	\$0	\$15,515,149	-\$15,515,149
Total:	\$50,167,000	\$32,311,804	\$17,855,196

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

With respect to the fiscal impacts of the Program, the analysis shows that the Program does not pay for itself. As shown in the table below, the State of Alaska does not generate the same level of additional tax revenues as the amount of tax credits issued to date.

Table ES-2. Net Annual State Fiscal Impact of the Alaska Film Incentive Program

Year	Amount of Tax Credits Issued	Additional Corporate Income Taxes Generated	Net Fiscal Effect	Additional Total Taxes and Fees	Net Fiscal Effect
2008	\$0	\$4,012	\$4,012	\$13,191	\$13,191
2009	\$244,547	\$12,654	-\$231,892	\$41,603	-\$202,943
2010	\$2,707,675	\$301,249	-\$2,406,426	\$990,408	-\$1,717,267
2011	\$8,101,448	\$48,303	-\$8,053,144	\$158,805	-\$7,942,642
2012	\$10,116,109	\$0	-\$10,116,109	\$0	-\$10,116,109
Total:	\$21,169,778	\$366,219	-\$20,803,558	\$1,204,008	-\$19,965,770

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

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1 Introduction

The State of Alaska Division of Legislative Audit (Division) commissioned this study to evaluate the Alaska Film Production Incentive Program (AFPIP).

The Program is designed to attract production companies by way of tax credits to come to Alaska to increase economic activity by creating jobs, supporting local businesses, and potentially increase tourism activities from outside exposure through the films.

The study weighs the economic costs and benefits of the Program to the state. Economic benefits are measured in terms of the amount of direct business sales generated, the number of jobs created, and the subsequent spin-off or multiplier effects resulting from production activity. The economic benefits are compared to the opportunity cost to the state which is measured in terms of foregone economic activity from government spending due to the tax incentives provided. In addition to the economic impact analysis, the study also evaluates the fiscal impacts to the State of Alaska by comparing the amount of tax credits issued with estimates of additional taxes generated as a result of the Program.

This report informs the Division of the findings of the study.

1.1 Background

The Alaska Film Production Incentive Program was signed into law on June 4, 2008 under AS 44.33.231-AS 44.33.239. The Program was designed as an economic development initiative to promote Alaska as a location for film production and allow the expansion and development of the film industry in the state.

The Alaska Film Office (AFO), which is under the Alaska Department of Commerce, Community, and Economic Development (DCCED), was established to administer the Program in cooperation with the Alaska Department of Revenue (DOR).

The Program provides incentives for companies that incur qualified film production expenditures in the state by providing tax credits. Eligible projects include film, documentary, commercial, and video productions with a minimum of \$100,000 in qualified Alaska expenditures. Applicants can qualify for up to 44 percent in a transferable tax credit on qualified production expenditures in Alaska, as follows:

- 30 percent base credit on production spending in Alaska, *plus*
- 10 percent credit for wages paid to Alaska residents (Alaska Hire incentive), *plus*
- 2 percent credit for production expenditures made between October 1 and March 30 (off-season incentive), *plus*
- 2 percent for production expenditures made in a rural area (rural location incentive).

Since production companies do not usually owe taxes in Alaska, the law allows the tax credit to be *"sold, assigned, exchanged, conveyed, or otherwise transferred in whole or in part."*

Since the Program's inception, the AFO has received and approved 84 prequalification applications (6 in FY09, 25 in FY10, 33 in FY11, and 20 in FY12) and as of February 29 this year, has approved 37 final applications for an Alaska Film Industry Tax Credit, amounting to \$24,415,261 (Alaska Division of Legislative Audit and Alaska Film Office, 2012).

1.2 Study Objectives

The Division specified the following study objectives:

- Define the direct spending data input categories required by IMPLAN and necessary to perform the economic impact analysis.
- Through the use of the economic model, IMPLAN, analyze the data provided by the Division to determine AFPIP's net economic impact on Alaska.
- As part of the economic impact analysis, estimate the number of full-time equivalent (FTE) Alaska jobs created by AFPIP.
- In conjunction with the economic impact analysis, estimate the net state fiscal impact of AFPIP (the difference between the amount of Alaska film tax credits issued and the estimated additional Alaska corporate tax revenues generated by AFPIP).
- Submit a draft report which should include, at a minimum, the results of the analysis performed in addition to the following components:
 1. Executive Summary.
 2. Detailed methodology used by the Contractor in determining the economic and fiscal impacts of AFPIP.
 3. Description of any assumptions used by the Contractor in determining the economic and fiscal impacts of AFPIP.
 4. To provide context, a listing of the multipliers for all industries in Alaska. This will include identifying the top ten and bottom ten multipliers in Alaska, and where the calculated AFPIP multiplier is ranked. (*Note: the Alaska multipliers are provided in the Excel spreadsheet file submitted; the multipliers are not included in the Report due to the proprietary nature of the information*).
 5. Description and amount of Alaska wage and non-wage direct spending on film production activity generated by the AFPIP.
 6. Multiplier effects of spending by year and type (wages vs. goods and services): i. Indirect benefits; ii. Induced benefits; and iii. FTEs created in Alaska (broken out between direct, indirect, and induced).
 7. AFPIP's return on investment: i. Amount of benefit (the sum of direct, indirect, and induced spending) for each dollar in tax credit issued; and ii. Amount of tax credits issued per FTE created in Alaska.
- Provide supporting documents and electronic files to the Division including the actual data input into IMPLAN, a listing of all IMPLAN multipliers for Alaska, all worksheets supporting the calculations and assumption required, and any other support determined necessary for the Division to evaluate the economic impact analysis and report.

1.3 Organization of the Report

The rest of the report is organized into 4 main sections as follows:

- **Methodology Section:** this section provides a detailed description of the approach used in determining the economic and fiscal impacts of the Program including a description of the

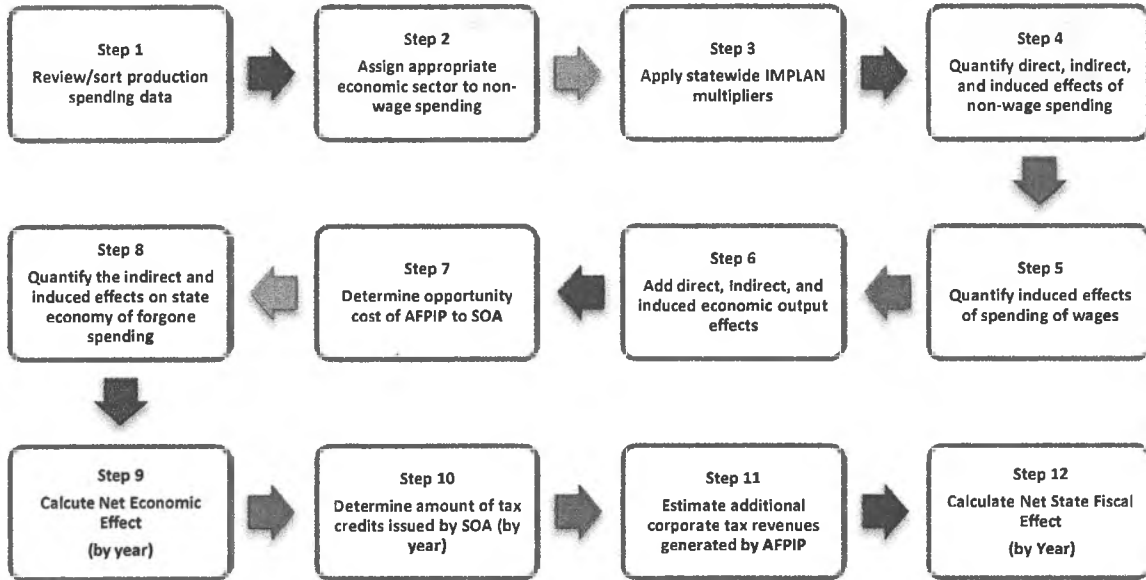
IMPLAN software and multipliers, a description of the spending data provided by the Division, assumptions used in the analysis, a description of the approach in determining full-time equivalent employment estimates; and data constraints and issues.

- **Economic Impacts of AFPIP:** This section discusses the results of the economic impact analysis considering all the productions that received tax credits to date. The estimated direct economic benefits, multiplier effects, opportunity costs and the resulting economic impact are provided.
- **Evaluation of the Program:** This section discusses the results of the analysis that only considers those production activities that can be attributed to the Program. The net economic and state fiscal impact results of the Program are presented in this section.
- **References and Data Sources:** This section provides a list of data sources and documents cited in the report.

2 Methodology

The approach used in evaluating the economic and fiscal impacts of the Program generally follows the steps depicted in Figure 1.

Figure 1. Determining the Net Economic and Fiscal Impacts of AFPIP



Step 1: Review/sort production spending data

The Alaska Division of Legislative Audit provided Excel spreadsheets that contained information on wage and non-wage spending of 37 productions that received Program tax credits. The information contained in the spreadsheets was reviewed. The first spreadsheet sent by the Division contained 5,137 non-wage spending entries and 1,976 wage spending entries; the additional spending data sent contained 2,227 non-wage spending entries and 588 wage spending entries.

Data issues were raised and discussed with Division staff. These include: 1) blank and negative values; 2) entries that are difficult to classify given the description provided (i.e. fringes, unknown, strike day, hold day, location fee, services) 3) non-local businesses; and 4) entries in wage spending that were paid to business.

Step 2: Assign appropriate economic sector to non-wage spending

The data provided by the Division on non-wage items, consisted of entries/items that had NAICS codes (4,148 entries) and entries that did not have assigned NAICS codes (3,216 entries). NAICS stands for North American Industry Classification System. Every business falls under a particular type of industry or sector as defined by NAICS. The North American Industry Classification System is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

The Division staff provided NAICS categories to items that had names of Alaska Businesses. The Alaska business names were matched with the DCCED business license database, which contains the NAICS code associated with the business license. The database contains a primary and a secondary NAICS code which is reported by the applicant. The NAICS codes are not verified by DCCED.

The primary NAICS code of the business was used for this analysis. A limited review of the primary NAICS codes was done by looking at the top 20 items with the highest amounts. The review resulted in some changes in sector assignments. For example, a gas purchase entry showed ExxonMobil as the Alaska business, and this was coded in the oil and gas extraction sector. This entry was changed to Retail Sector- gasoline stations. More examples can be provided if requested.

All the other entries that did not have NAICS code assignments were reviewed by looking at the names of the items and associated line item description. A second round of matching with the DCCED business license database was done and the primary NAICS codes were obtained for those that had a match. For those that did not have a match, the Google internet search engine was used to look up the business names and to get information about the businesses, particularly to determine whether the business is local. Company websites were also reviewed to determine what type of products or services the company provides in order to assign the appropriate NAICS code to the entry.

Other entries did not have a company or a business name, instead the item names were descriptive in nature, for example, air travel, airfare, aquarium, bike rental, boat charter, bus, car rental, catering, food, hotel, fuel, gas, and services, to name a few. Each of these descriptive items was assigned a specific IMPLAN sector. The IMPLAN data has 440 economic sectors; each of these sectors can be mapped to a corresponding NAICS code. The assigned NAICS codes were matched to the corresponding IMPLAN sector.

The line item descriptions were sometimes used as a guide in assigning the appropriate IMPLAN economic sector to the entries that did not have a NAICS code. It should be noted however that there are errors in item descriptions or differences in applicants' interpretation of the item descriptions. For example, an entry was coded as "inter-state transportation" while an internet search on the business name indicated that the company provided audio-visual production services. There were also cases where a business was coded differently (Holiday Station was coded as L, S, and O).

When entries only have a general description of the expense item, like (transportation), (per diem), or (in-state), it is difficult to assign specific or unique IMPLAN sectors. In these cases, averages of various economic sectors' multipliers were used.

Step 3: Apply statewide IMPLAN Multipliers

After assigning the appropriate IMPLAN sector to every single entry in the spending data, the IMPLAN output, employment, and labor income multipliers for those sectors were applied to the dollar amounts to estimate the multiplier effects of additional business sales to those sectors. Because the spending occurred over the course of four years, from 2008 to 2011, historical IMPLAN multipliers were used for years prior to 2010. The latest available data from IMPLAN is for year 2010. The 2010 multipliers were therefore applied to the 2011 spending data, but the results are expressed in 2011 dollars, in keeping with presenting the results in nominal dollars (or money of the day).

IMPLAN is an input-output (I-O) model. I-O analysis is an economic tool used to measure the effects of an economic activity on a region and is typically used to evaluate the benefits of a project. The analysis is based on a model of the inter-industry transactions within a community, a region, or a state. The I-O model is a matrix that tracks the flow of money between the industries within a specified economic region of interest.

IMPLAN uses specific data on what inputs are needed to produce the goods or services for over 400 industries, and state-specific data on what industries are available locally from which to purchase those inputs.

The model can measure how many times a dollar is re-spent in, or “ripples” through, the economic region before it leaks out. The I-O model yields multipliers that are used to calculate the indirect and induced effects on jobs, income, and business sales/output generated per dollar of spending on various types of goods and services in the study area. To evaluate the economic effects to the state, only the “local” (i.e., within the state or within the region) expenditures are used in the model; the rest are considered leakages. More leakages mean smaller multipliers; and the larger the local expenditures, the greater the multiplier effects. The multipliers for any given industry in any given location are unique, based on industry composition and geographic area.

Step 4: Quantify direct, indirect, and induced effects of non-wage spending

In Input-Output (I/O) analysis convention, direct effects take place only in the industry immediately affected; it is the set of initial expenditures applied to the predictive model (i.e., I-O multipliers) for impact analysis. In this analysis, the wage and non-wage spending by the production companies are the direct effects. Applying these initial spending to the multipliers in the IMPLAN model then shows how the state responds, economically to these initial changes. The indirect effects are the impact of local industries buying goods and services from other local industries. The cycle of spending works its way backward through the supply chain until all money leaks from the local economy, either through imports or by payments to value added. The induced effects measure the response by an economy to an initial change (direct effect) that occurs through re-spending of income received. This money is re-circulated through the household spending patterns causing further local economic activity.

Step 5: Quantify induced effects of spending of wages

The IMPLAN model also allows the user to estimate the economic effects of spending of wages in the Alaska economy, by modeling this economic activity as a change in household income. The IMPLAN model has information on the typical household’s spending pattern in Alaska and distributes the spending on wages based on this spending pattern. Note that not all of the wages are spent; the model assumes a reasonable amount is saved and a portion of the amount is used to pay personal taxes (specifically federal income tax). Hence, only disposable income is spent on groceries, utilities, personal care services, transportation and other typical household expenditures. This approach was used for wages paid to Alaska residents.

To estimate the economic effects of wages paid to non-Alaska residents, information from the Alaska Visitors Statistics Program was used to get a conservative estimate of the level of spending by visitors on gifts, clothing, activities, and other items. The spending data for visitors that noted their primary purpose of the visit as “for business” was used. The average visitor spending (for summer, fall, and winter) was \$250 per visitor. This does not include spending on lodging, transportation, and food, as these types of spending are already included in the non-wage spending data. IMPLAN multipliers for the appropriate sectors were then applied to this conservative estimate of visitor spending. The count of non-residents was derived from the data provided by the Division.

Step 6: Add direct, indirect, and induced economic output effects

This step simply adds the estimates of the direct, indirect and induced economic output effects resulting from steps 4 and 5 to determine the total economic benefits of the Program.

Step 7: Determine opportunity cost of AFPIP to SOA

The opportunity cost of AFPIP to State of Alaska (SOA) is the amount of tax credits issued per year. This information was provided by the Alaska Division of Legislative Audit.

Step 8: Quantify the indirect and induced effects on state economy of forgone spending

This step involves using the IMPLAN model to calculate the indirect and induced effects of state spending on education and non-education programs. The IMPLAN model contains information on state spending patterns for these programs. The tax credits issued per year are considered the direct effects in this analysis. The direct, indirect, and induced effects in this analysis are in effect the economic costs of the Program.

Step 9: Calculate net economic effect (by year)

Estimating the net economic impact involves the following formula:

Amount of Alaska wage and non-wage direct spending on film production activity generated by AFPIP *plus* economic activity generated by the direct spending (positive multiplier impact) *less* government spending foregone due to incentives paid (opportunity cost) and economic impact of the opportunity cost (negative multiplier impact).

Result of Step 6 minus result of Step 8.

Step 10: Determine amount of tax credits issued by SOA (by year)

This information was provided by the Alaska Division of Legislative Audit (same as Step 7).

Step 11: Estimate additional corporate tax revenues generated by AFPIP

Estimating state corporate income taxes is difficult as it is hard to project the level of profits of most businesses. The additional corporate income taxes that could be generated as a result of the additional economic activity associated with production spending was estimated by looking at the relationship between historical State gross domestic product as reported by the Bureau of Economic Analysis and the historical state corporate income taxes received by the State of Alaska from non-oil and gas sectors. State corporate income taxes from the oil and gas industry dwarfs corporate income taxes paid by all the other industries in the state combined.

A regression analysis of the historical data indicates that for every million dollar increase in economic output (in non-oil and gas sectors) in the state, only \$7,500 dollars are generated in state corporate income taxes. A similar regression analysis was done to estimate total state non-oil and gas revenues from taxes and fees, including corporate income tax revenues, given an increase in economic output of non-oil and gas sectors. This regression analysis indicates that the State of Alaska would generate \$24,000 in additional revenues from state taxes and fees for every million dollar increase in economic output in the state.

Step 12: Calculate net state fiscal effect (by year)

Estimating the net state fiscal impact involves the following formula:

Estimated additional Alaska corporate tax revenues generated by AFPIP *less* amount of tax credits issued per year.

Result of Step 11 minus result of Step 10.

3 Economic Impacts of AFPIP

This section presents the results of the economic impact analysis. The direct, indirect, and induced benefits are discussed first, followed by the section on economic costs, and finally, the resulting net economic impact.

Note that the results presented in the first four sub-sections include the estimated benefits and costs of all productions that have benefited from the Program to date, a total of 37 productions including 31 that have been identified as activities that resulted because of the Program and the 6 productions that have been identified as activities that would have occurred even without the Program. In evaluating the effectiveness of the Program however, only those activities that can be attributed to the Program are considered. This subset of economic impacts is presented in Section 4: Evaluation of the Program.

3.1 Direct Economic Benefits of AFPIP

All production activities that qualified for tax credits under AFPIP generated a total of \$24.3 million in business sales (or statewide economic output) since the inception of the Program in 2008. Table 1 presents the amount of direct spending by the production companies on goods and services by year. The count is the number of business transactions or business sales that have occurred per year, and provides a rough approximation of the number of Alaska businesses that benefitted from industry spending. The actual number of Alaska businesses that received payments cannot be readily determined because of the way the expenditures were recorded.

As shown in the table, year 2010 has been the best year for Alaska businesses in terms of film industry spending. That year, Alaska attracted the production of the movie, the Big Miracle.

Table 1. Number and Amount of Direct Spending on Goods and Services by Year

Year	Count	Amount
2008	180	\$219,361
2009	816	\$1,800,681
2010	4,691	\$18,475,940
2011	1,677	\$3,838,811
Total:	7,364	\$24,334,793

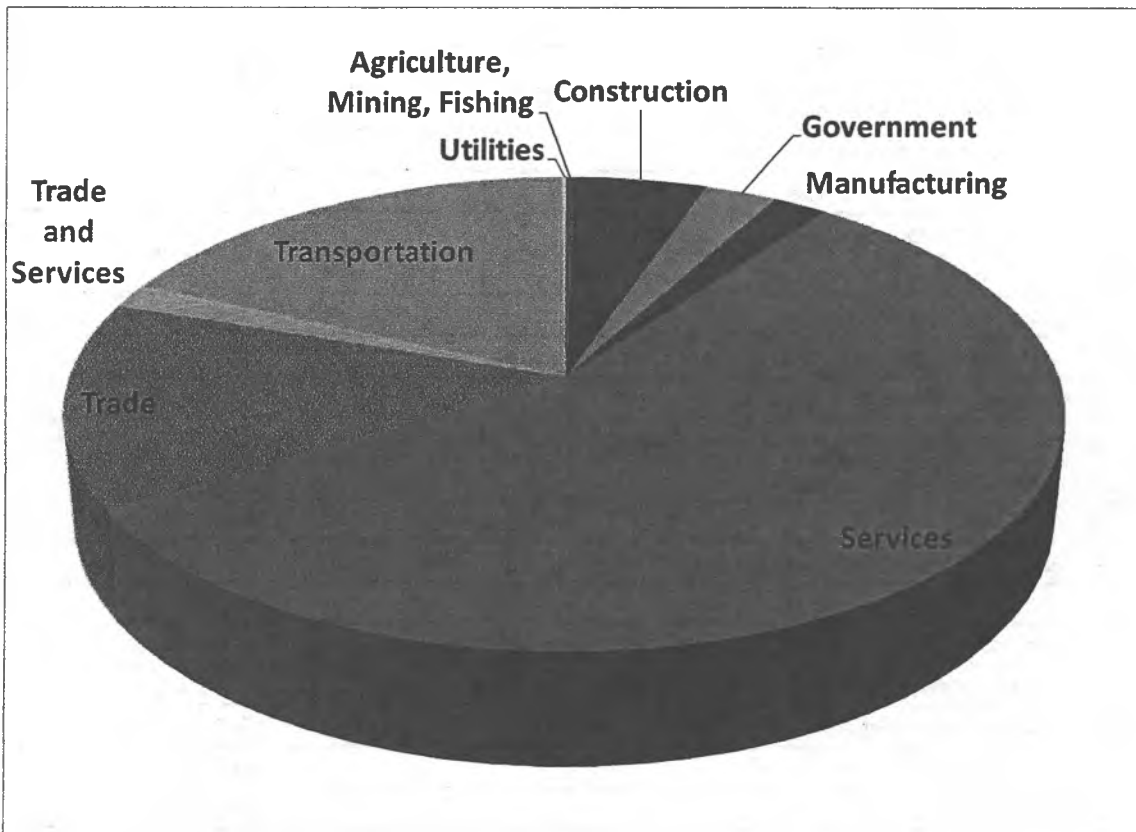
Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

Production spending was spread across 136 different sectors or industries in Alaska. Figure 2 shows the distribution of spending by major economic sectors. The film industry has created the highest economic activity in the services (56 percent), transportation (18 percent), and trade (14 percent) sectors.

The Air Transportation sector has received the highest amount of sales totaling \$3.2 million since 2008. Table 2 presents the top 25 economic sectors in terms of business sales resulting from the film production activities. Note that the list includes a sector called "Combined Food Services and Hotel". This is because several transactions were recorded as a combination of these two sectors-- "food and hotel", for example was a common entry in the data set.

Figure 2. Allocation of Spending on Goods and Services by Economic Sector



Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Table 2. Leading Economic Sectors in Amount of Direct Spending on Goods and Services

Economic Sector	Amount	Count
Transport by air	\$3,182,330	1,156
Hotels and motels, including casino hotels	\$2,756,998	604
Other amusement and recreation industries	\$2,260,063	63
Combined Food Services and Hotel	\$1,835,068	426
Motion picture and video industries	\$1,545,625	104
Transport by truck	\$1,183,031	187
Retail Stores - General merchandise	\$1,136,748	501
Maintenance and repair construction of nonresidential structures	\$964,531	85
Automotive equipment rental and leasing	\$903,821	338
Scenic and sightseeing transportation and support activities for transportation	\$578,541	167
Real estate establishments	\$538,926	57
Household Sector	\$524,375	254
Retail Stores - Building material and garden supply	\$499,454	59
Wholesale trade businesses	\$462,941	220
Commercial and industrial machinery and equipment rental and leasing	\$438,068	50
Food services and drinking places	\$345,138	652
State and local government passenger transit	\$343,037	4
Combined Retail and Services Sectors	\$303,454	2
Transport by water	\$279,317	9
Travel arrangement and reservation services	\$274,823	30
Retail Stores - Motor vehicle and parts	\$259,255	47
Independent artists, writers, and performers	\$218,039	28
Services to buildings and dwellings	\$210,751	26
Retail Stores - Food and beverage	\$208,173	280
Retail Stores - Gasoline stations	\$207,622	343

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

In addition to spending on goods and services, a total of about \$52 million in wages were also paid out to both Alaska residents and non-residents from 2008 to 2011 (see Table 3). Eighty-four percent of the total wages paid to date were paid to non-residents. Alaskans have received about \$8 million in cumulative wages (16 percent) from all the productions that have received tax credits.

Table 3. Number and Amount of Resident and Non-Resident Direct Spending on Wages by Year

Year	Resident		Non-Resident		Total	
	Count	Amount	Count	Amount	Count	Amount
2008	32	\$94,948	19	\$135,008	51	\$229,956
2009	79	\$264,754	233	\$1,765,350	312	\$2,030,104
2010	611	\$6,602,942	735	\$23,863,977	1346	\$30,466,918
2011	561	\$1,168,773	294	\$18,026,228	855	\$19,195,001
Total	1,283	\$8,131,417	1,281	\$43,790,562	2,564	\$51,921,980

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: The count values provided in the table above represents the number of entries in the wage data. It does not represent unique individuals and it includes entries that have been paid to businesses and organizations for which there is no way to determine whether the wages were received by one person or multiple individuals.

Table 4 below provides an approximate count of individuals that received wages in each of the years shown. The count attempts to determine the number of unique names of individuals per year. If 2 or more entries were associated with a person within a year, that person was only counted once for that particular year. This count provides an estimate of the number of Alaskans and non-Alaskans that have benefited from the Program each year. This count of individuals is one measure of the direct employment effects of the Program. Another measure is the number of full-time equivalent (FTE) employment generated by the Program. The FTE measure is presented in Section 3.3 of the report.

Table 4. Number of Individuals Employed by the Production Companies by Year

Year	Resident	Non-Resident	Total
2008	31	18	49
2009	62	104	166
2010	485	470	955
2011	326	225	551
Total	904	817	1,721

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

3.2 Multiplier Effects of Production Spending

It is estimated that both the spending on goods and services and the spending of wages in the state created an additional economic output amounting to \$27.2 million and generated 466 indirect and induced jobs that paid about \$17.8 million in labor income, from 2008 to 2011.

This section presents the multiplier effects of spending by the production companies on goods and services and the spending of wages paid by the production companies, on the Alaskan economy. The multiplier effects are presented by year and type of spending. Multiplier effects are measured in terms of economic output, employment, and labor income. Note that in input-output analysis convention, the multiplier effects of spending of wages in the economy are considered induced effects. Hence, there are no indirect effects associated with spending of wages.

The first set of tables-- Table 5, Table 6, and Table 7, shows the estimated annual multiplier effects of spending on goods and services in terms of economic output, labor income, and employment, respectively.

As shown in Table 5, about \$23 million was spent locally on goods and services and this spending created an additional economic output within the state worth \$17 million (indirect + induced economic output) from 2008 to 2011. The "Local Spending" column represents the estimated amount that is actually spent in-state per year. This amount takes into account the transactions that were included in the spending data provided to the State but were actually paid to non-Alaska businesses as well as the transactions that were reported as interstate transportation. For transactions that were paid to non-Alaska businesses, the entire amount (100 percent) was considered non-local and was treated as a leakage—the spending did not create multiplier effects in the state economy. For interstate transportation transactions, 50 percent of the amount recorded was considered as local spending (spent in-state). For example, a transaction on air travel of \$28,600, reported as "interstate" spending, is considered 50 percent local—half of the amount is attributed to the place of origin and half of the amount is attributed to the place of destination. This approach is typical in I-O analyses of this nature and it also follows the Program's approach in treating interstate transportation costs whereby the amount is eligible for 50 percent reimbursement.

Table 5. Estimated Multiplier Effects of Spending on Goods and Services: Economic Output

Year	Local Spending	Indirect Effects	Induced Effects	Total Multiplier Effects
2008	\$176,686	\$72,544	\$74,747	\$147,291
2009	\$1,621,520	\$575,265	\$681,013	\$1,256,278
2010	\$17,589,082	\$5,132,161	\$7,616,152	\$12,748,313
2011	\$3,656,184	\$1,270,126	\$1,586,957	\$2,857,083
Total:	\$23,043,472	\$7,050,097	\$9,958,869	\$17,008,966

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

Table 6 shows the "direct", "indirect", and "induced" labor income effects of spending on goods and services and Table 7 shows the corresponding employment effects by year. In this type of analysis, the "direct" effects in Table 6 represent the amount of wages paid to the employees of the Alaska businesses that received payments from the production companies (direct labor income is a portion of the total economic output or business sales, which is the local spending amount shown in Table 5). For example, a portion of the amounts paid to local hotels, were paid as wages to the hotel employees, these wages are the direct labor income effects, and the number of hotel employees that were supported by that level of spending is the direct employment effect in the results shown in Table 7.

The "indirect" effects in Table 6 and Table 7 represent the economic effects of the subsequent rounds of indirect spending (spin-off effects) in the state economy. In response to an increase in demand for hotel services, the hotels in turn increase their demand for goods and services and thereby create a subsequent round of spending in the economy. Finally, the "induced" effects represent the economic effects of the subsequent round of spending of wages by hotel employees, following the example above.

The total multiplier effect, as shown in these two tables, is the sum of the direct, indirect, and induced effects.

Table 6. Estimated Multiplier Effects of Spending on Goods and Services: Labor Income

Year	Direct Effects	Indirect Effects	Induced Effects	Total Multiplier Effects
2008	\$57,886	\$19,450	\$30,382	\$107,718
2009	\$596,552	\$170,970	\$259,242	\$1,026,763
2010	\$6,553,664	\$1,664,601	\$3,193,114	\$11,411,379
2011	\$1,333,916	\$405,386	\$619,954	\$2,359,256
Total:	\$8,542,018	\$2,260,405	\$4,102,692	\$14,905,116

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

Table 7. Estimated Multiplier Effects of Spending on Goods and Services: Employment

Year	Direct	Indirect	Induced	Total
2008	2	1	1	4
2009	17	4	6	27
2010	202	35	70	307
2011	38	9	14	61
Total:	259	49	91	399

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Table 8 presents the resulting multiplier effects (induced effects) of spending of wages on the Alaska economy as measured by the value of additional economic output, labor income, and number of jobs. As noted earlier, by definition, the economic effects of spending of wages in the state economy are considered induced effects. The total direct wages paid to residents and non-residents amounted to about \$52 million from 2008 to 2011 (as shown in Table 3), \$8 million of which was paid to Alaskans and about \$44 million was paid to non-Alaskans. As noted in the approach section, only a portion of these wages are spent locally. For the resident wages, only the disposable income amount is spent (not including taxes and an estimate of savings). For the non-resident wages, only a minimal amount is spent locally (see below). The amount spent locally is included in the total multiplier effects in Table 8.

Wages paid to Alaska residents are spent on typical household items such as utilities, groceries, gas, medical services, personal care services, and others. Spending of wages on these items creates spin-off effects or additional rounds of spending in the state economy and result in part of the multiplier effects shown in Table 8. The other part is the multiplier effects resulting from spending of wages by non-residents. As mentioned earlier, a portion of the wages paid by the production companies are paid to non-residents (see Table 3). Obviously, non-residents do not create nearly as much multiplier effects as residents, as non-residents spend most of their income in their place of residence. However, it is reasonable to assume that the non-residents who were hired to work as part of the crew in the Alaska productions spent a minimal amount of money for non-work related items such as gifts, sight-seeing activities, and others (see Section 2 for more details regarding assumptions on non-resident wage spending). Spending on non-work related items also create multiplier effects in the state economy and are included in the results shown in Table 8.

Table 8. Estimated Multiplier Effects of Spending of Wages Paid to Residents and Non-Residents: Economic Output, Labor Income, and Employment

Year	Output Effects	Labor Income Effects	Employment Effects
2008	\$130,716	\$33,622	1
2009	\$299,195	\$103,573	3
2010	\$8,474,062	\$2,279,273	54
2011	\$1,289,868	\$435,593	10
Total:	\$10,193,841	\$2,852,060	67

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

As requested by the Division of Legislative Audit, the Alaska economic output multipliers from the IMPLAN model are provided in the Excel spreadsheet file. Based on the IMPLAN data, the average output multiplier for Alaska is 1.6. This means that a 1 million dollar increase in economic activity (or new money being spent in the Alaska economy) generates \$600,000 in additional economic output or business sales in the state.

The highest economic output multiplier for the state is 2.88, which is for the economic sector called State and Local Government Passenger Transit. Others sectors with multipliers of 2 and over include Computer systems design services, Promoters of performing arts and sports and agents for public figures, Private elementary and secondary schools, Performing arts companies, Sawmills and wood preservation, and Transport by pipeline. The lowest non-zero multiplier for Alaska is around 1.18; this is for the sector called aircraft manufacturing. Other sectors with low multipliers include Jewelry and silverware manufacturing, Dog and cat food manufacturing, Lessors of nonfinancial intangible assets, and Soft drink and ice manufacturing.

Alaska is not as economically diverse as some of the other Lower 48 states. The Alaskan economy has 248 economic sectors; this is out of a total of 440 economic sectors available in the IMPLAN model. Typically, Alaska multipliers are also much lower than the multipliers of the more diverse economies elsewhere, since lot of the goods and materials being consumed in-state are not produced locally. Imported products and services do not create spin-off effects in the state economy, other than the minimal trade and transportation margins generated.

As noted in the previous section, spending on goods and services by the production companies were spread across 136 economic sectors. The average of the multipliers for these sectors is about the same as the average economic output multipliers for the state. The sectors that have relatively high multipliers of 1.8 that benefited from production spending were the construction sector, retail-building supply and materials, and some of the utilities.

3.3 Estimated Full-Time Equivalent (FTE) Employment

This section presents the estimated employment effects created in Alaska, as expressed in full-time equivalent (FTE) employment. These estimates were derived based on an approach recommended by the Minnesota IMPLAN Group economists (developers of the IMPLAN software).

Based on the approach used in this analysis, it is estimated that the production companies supported 121 FTE Alaska jobs (direct FTE: residents), and their spending created 311 additional FTE Alaska jobs (indirect and induced FTE) in the state economy. The companies also supported 656 non-resident FTE jobs since Program inception (see Table 9).

Some of the production companies (25 out of the 37 productions) provided their own estimate of the number of full-time equivalent jobs (FTE Alaska jobs) associated with their production activities. According to these companies, they supported a combined total of 412 FTE Alaska jobs. This number however is difficult to verify as there are no specific guidelines provided in the Program application form on how FTE jobs should be determined and the companies did not provide any supporting information such as number of hours worked by each individual (by definition an FTE is assumed to work 2,080 hours in a standard year, or 40 hours a week).

Table 9 shows the FTE employment estimates of total spending. Direct FTE employment effects (second and third column of Table 9) were estimated using data on direct wages (as shown in Table 3) and information from the Bureau of Economic Analysis (BEA). The BEA data provides historical data on wage and salary accruals per FTE employee by industry; data on the motion picture and sound recording industry was used in this analysis.

The indirect and induced FTE employment estimates (the fourth column in Table 9) were determined using results of the IMPLAN model. Employment estimates in IMPLAN include all full-time, part time, and temporary positions (or the annual average of monthly jobs by industry, the same definition used by Quarterly Census of Employment and Wages (QCEW), Bureau of Labor Statistics (BLS), and Bureau of Economic Analysis nationally). IMPLAN jobs can be converted to FTE employment using ratios derived from BEA data. The ratios (FTE conversions per sector) are calculated using information on number of hours worked in each NAICS code, matching the NAICS codes to the related IMPLAN Code, and dividing the number of hours worked by the standard year (2080 hours) for each industry. As noted earlier, spending on goods and services and spending of wages create indirect and induced employment effects across different industries or sectors in the local economy. The employment multiplier effect per sector was multiplied by the corresponding sector's ratio (FTE conversion) to determine the full-time equivalent employment estimates shown in Table 9.

Table 9. Estimated Full-Time Equivalent Employment Effects of Total Spending

Year	Direct FTE: Residents	Direct FTE: Non-Residents	Indirect & Induced FTE Alaska Jobs	Total FTEs
2008	2	2	3	7
2009	6	42	11	59
2010	93	358	258	709
2011	20	254	39	313
Total:	121	656	311	1,088

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

3.4 Opportunity Cost of AFPIP

This section presents the opportunity cost of the Program (direct) and the multiplier effects in the state's economy resulting from forgone government spending. The opportunity cost is defined as the foregone SOA spending on State programs due to the incentives paid (tax credits). The IMPLAN model was used to estimate the decrease in economic output that would result if the State of Alaska reduced its spending on programs such as for education and non-education by the amount of the tax credits issued per year (which is the year the original tax credit was issued). The analysis shows that the total economic effects of foregone State spending would amount to \$37.2 million over the period 2008 to 2012.

Table 10. Estimated Total Economic Effects of Foregone State Spending by Year

Year	Amount of Credits Issued	Multiplier Effects	Total Economic Effects
2008	0	0	0
2009	244,547	123,537	368,083
2010	4,583,865	2,348,889	6,932,755
2011	8,978,969	4,690,360	13,669,329
2012	10,607,880	5,661,503	16,269,383
Total:	24,415,261	12,824,289	37,239,550

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

3.5 Economic Costs and Economic Benefits of the Program

The results discussed in the sections above included the economic benefits of all the productions and the economic costs to the state of all the tax credits issued since the Program started in 2008. Table 11 summarizes these results. Considering all the productions that received tax credits to date, the analysis shows that the value of economic activity generated by these productions is greater than the value of the economy activity that would have been created by state spending if the Program did not exist (no credits issued).

Table 11. Comparison of Economic Costs and Benefits of the Program: All Productions

Year	Economic Benefits	Economic Costs	Net Economic Effect
2008	\$549,641	\$0	\$549,641
2009	\$3,441,747	\$368,083	\$3,073,664
2010	\$45,414,399	\$6,932,755	\$38,481,645
2011	\$8,971,909	\$13,669,329	-\$4,697,420
2012	\$0	\$16,269,383	-\$16,269,383
Total:	\$58,377,697	\$37,239,550	\$21,138,146

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

4 Evaluation of the Program

In evaluating the effectiveness of the Program, the costs and benefits of only those productions that have been identified as activities that would not have occurred without the Program are included. This provides a more reasonable evaluation of the benefits of the Program. While the other productions that have been identified as activities that would have occurred even without the Program also create economic benefits to Alaska, these benefits should not be attributed to the existence of the Program.

This section presents the estimated net economic and fiscal impacts considering only the activities that can be attributed to the Program.

4.1 Net Economic Impact of AFPIP

Table 12 summarizes the net direct, indirect, and induced economic output effects of the production spending that can be attributed to the existence of the Program (Table 11 above, on the other hand, shows the results for all production spending including those activities that would have occurred even without the tax credits).

Overall, the Program benefits outweigh the Program costs in terms of value of economic output generated and lost. Note that there is a lag between the time the economic benefits are generated and the time the tax credits are issued. The annual results shown below reflect this time difference of when the economic benefits are generated in the state economy and when the costs are incurred.

Table 12. Estimated Net Economic Effects of AFPIP on Alaska

Year	Economic Benefits	Economic Costs	Net Economic Effect
2008	\$549,641	\$0	\$549,641
2009	\$1,733,475	\$368,083	\$1,365,391
2010	\$41,266,992	\$4,095,157	\$37,171,835
2011	\$6,616,893	\$12,333,415	-\$5,716,523
2012	\$0	\$15,515,149	-\$15,515,149
Total:	\$50,167,000	\$32,311,804	\$17,855,196

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

The results of the economic impact analysis can also be summarized in terms of:

1. AFPIP's return on investment, that is, the amount of benefit (total economic effect) for each dollar of tax credit issued, and
2. The amount of tax credits issued per FTE created in Alaska.

The economic impact analysis indicates that the Program results in an increase of \$2.05 in economic output for every dollar of tax credit issued; and the amount of tax credits issued per FTE jobs created in Alaska is \$56,600.

4.2 Net State Fiscal Impact of AFPIP

With respect to the fiscal impacts of the Program, the analysis shows that the Program does not pay for itself. The State of Alaska does not generate the same level of additional tax revenues as the amount of tax credits issued to date (see Table 13).

As noted in Section 2, estimating state corporate income taxes is difficult as it is hard to project the level of profits of most businesses. The additional corporate income taxes that could be generated as a result of the additional economic activity associated with production spending was estimated by looking at the relationship between historical State gross domestic product as reported by the Bureau of Economic Analysis and the historical state corporate income taxes received by the State of Alaska from non-oil and gas sectors. The regression analysis of the historical data indicates that for every million dollar increase in economic output (in non-oil and gas sectors) in the state, only \$7,500 dollars are generated in state corporate income taxes. A similar regression analysis was done to estimate total state non-oil and gas revenues from taxes and fees, including corporate income tax revenues, given an increase in economic output of non-oil and gas sectors. This regression analysis indicates that the State of Alaska would generate \$24,000 in additional revenues from state taxes and fees for every million dollar increase in economic output in the state.

Table 13. Estimated Net State Fiscal Impacts of AFPIP on Alaska

Year	Amount of Tax Credits Issued	Additional Corporate Income Taxes Generated	Net Fiscal Effect	Additional Total Taxes and Fees	Net Fiscal Effect
2008	\$0	\$4,012	\$4,012	\$13,191	\$13,191
2009	\$244,547	\$12,654	-\$231,892	\$41,603	-\$202,943
2010	\$2,707,675	\$301,249	-\$2,406,426	\$990,408	-\$1,717,267
2011	\$8,101,448	\$48,303	-\$8,053,144	\$158,805	-\$7,942,642
2012	\$10,116,109	\$0	-\$10,116,109	\$0	-\$10,116,109
Total:	\$21,169,778	\$366,219	-\$20,803,558	\$1,204,008	-\$19,965,770

Source: Northern Economics, Inc. based on inputs from the Alaska Division of Legislative Audit

Note: Amounts in the table are expressed in nominal dollars (money of the day).

Note that the results above only consider the tax credits issued to the productions that occurred due to the Program. If all tax credits issued are considered the resulting net state fiscal effect is -\$23 million.

5 References and Data Sources

Alaska Department of Revenue. Historical state corporate income tax revenues from 1998 to 2010.

Alaska Division of Legislative Audit. Production expenditures, FTE, and amount of tax credits approved by production.

Bureau of Economic Analysis. Historical Alaska gross domestic product information, and wage and salary accruals per FTE data from 1998 to 2010.

Minnesota IMPLAN Group, Inc. IMPLAN software and data for years 2008, 2009, and 2010.

The Alaska Film Office. *2012 Report to the 27th Legislature*. February 15, 2012.

U.S. Census Bureau. Information on Alaska average household income.

(Intentionally left blank)

Appendix C

**Film Production Tax Incentive Program
Tax Credits Issued
July 2008 through February 2012**

<u>Production Company</u>	<u>Production</u>	<u>Issue Date</u>	<u>Credit Issued</u>
Fiscal Year 2010			
Moore Huntley Productions, Inc	Alaska: Most Extreme	9/30/2009	\$ 79,504
KAOS Entertainment, LLC	Grizzly Land	10/29/2009	54,138
The Ascending Path, LLC	Disaster on K2	10/30/2009	46,010
Proposal Productions, Inc	The Proposal	11/25/2009	64,895
Total Tax Credits 2010		4	\$ 244,547
Fiscal Year 2011			
Rabbit Content, LLC	Prilosec - Fairbanks Project	7/12/2010	\$ 107,277
Affinityfilms, Inc	Survive and Thrive	8/5/2010	39,693
Original Productions	Ice Road Truckers - Season 3**	9/27/2010	393,424
On the Ice, LLC	On the Ice	10/1/2010	171,146
Diverse Bristol LTD	Man vs. Wild - "The Last Frontier"	10/20/2010	67,994
Rainy Pass Productions, LLC	R5 Sons - Season 1	11/15/2010	150,442
Original Productions	Deadliest Catch - Season 6**	11/22/2010	584,563
PSG Motion Pictures, LLC	Alaska State Troopers - Season 1	12/9/2010	30,709
Original Productions	Ice Road Truckers - Season 4**	12/17/2010	898,204
Beyond Indigo Productions, LLC	Beyond (aka Ghost Vision)	12/22/2010	2,140,413
Sun Never Sets Productions, LLC	Top Gear (Alaska Tough Truck)	1/14/2011	81,004
Jean Worldwide	Sarah Palin's Alaska	2/14/2011	1,196,894
Teton Gravity Research	Light the Wick	2/22/2011	51,829
Christmas with a Capital C, LLC	Christmas with a Capital C	3/7/2011	111,690
British Broadcasting Corporation	Frozen Planet	4/13/2011	75,029
Arctic Film Group, LLC	Untitled Arctic Project	4/28/2011	50,493
Pontecorvo Productions	Bears of the Last Frontier	5/4/2011	112,463
Total Tax Credits 2011		17	\$ 6,263,267
Fiscal Year 2012 through February 2012			
ZONK! Productions, Inc.	NAPA's North to Alaska**	7/12/2011	\$ 91,080
Kid Play Entertainment, LLC*	PlayKids - BG3	7/18/2011	250,684
Kid Play Entertainment, LLC*	PlayKids - BG3	8/9/2011	1,802,661
PSG Motion Pictures, LLC	Alaska State Troopers s2	8/9/2011	93,274
Wildlife HD	Alaska BluRay DVD Collection	8/19/2011	217,473
Original Productions	Hillstranded	8/24/2011	53,437
Bongo, LLC	Flying Wild Alaska S1	8/25/2011	398,918
Teton Gravity Research	One for the Road	10/14/2011	48,244
Kid Play Entertainment, LLC	Tiny Detectives - BG4	10/14/2011	1,763,885
Kid Play Entertainment, LLC	Young World Sleuths - BG5	11/1/2011	1,746,718
Stardust Brands Inc	American Eagle Outfitters	11/29/2011	46,752
Original Productions, LLC	Deadliest Catch S7**	12/13/2011	786,441

Appendix C
(Continued)

**Film Production Tax Incentive Program
Tax Credits Issued
July 2008 through February 2012**

<u>Production Company</u>	<u>Production</u>	<u>Issue Date</u>	<u>Credit Issued</u>
Original Productions, LLC	Ice Road Truckers - S5**	1/3/2011	491,772
Iditarod Trail Committee	Iditarod 2011: Year of the Dream...	1/18/2012	72,568
Kid Play Entertainment, LLC***	Tiny Detectives/ Young World Sleuths	1/25/2012	250,000
St. Thomas Productions	Ice Jumpers	2/2/2012	71,624
Icebreaker Films	Big Miracle	2/3/2012	9,635,706
API Arts & Outreach	Icebound	2/29/2012	86,210
Total Tax Credits 2012		18	\$ 17,907,447
TOTAL		39	\$ 24,415,261

* Two tax credits were issued for this production. The first was issued on July 14, 2011, for \$250,684 and the second on August 4, 2011, for \$1,802,661.

**These productions were filming in Alaska prior to the creation of the Alaska Film Production Tax Incentive Program.

***This credit, issued January 25, 2012, for \$250,000 resulted from settlement of a production company appeal of AFO disallowance of expenditures for the productions Tiny Detectives - BG4, and Young World Sleuths - BG5.



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Revenue

COMMISSIONER'S OFFICE
Bryan Butcher, Commissioner

550 W. 7th Avenue, Suite 1820
Anchorage, Alaska 99501
Main: 907.269.0060
Fax: 907.276.3338

September 27, 2012

Kris Curtis, Legislative Auditor
Legislative Budget & Audit Committee
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

RECEIVED
SEP 27 2012
LEGISLATIVE AUDIT

Dear Ms. Curtis:

Thank you for your agency's review of the Department of Revenue (DOR) as part of the performance audit of the Alaska Film Production Tax Incentive Program (AFPTIP). Although the Findings and Recommendations contained in your letter dated September 5, 2012 pertain to the Alaska Film Office (AFO) which currently resides in the Department of Commerce, Community and Economic Development (DCCED), as noted in the auditing findings, the AFO will transfer to the DOR effective July 1, 2013. As such, we appreciate the opportunity to respond to the recommendations for those portions of the film program that will be transferred to DOR.

Recommendation No. 1

The Alaska Film Office (AFO) development specialist should strengthen qualified expenditure documentation requirements to ensure Alaska Film Production Tax Credit (tax credit) calculations are adequately supported.

We agree with Legislative Audit's position that sufficient documentation should be required to ensure that credit calculations are accurate. We also agree with Legislative Audit's recommendation that documentation should, at a minimum, include the payees' full name and address and that vendor payments identify a valid business name and address. DOR will work with DCCED to develop procedures and draft regulations to ensure that before and after the transfer of the AFO to DOR, proper documentation is required to be available from producers to support the claimed credit. With the transfer of the AFO to DOR, DOR will receive two new positions, a Tax Auditor and a Tax Technician. DOR expects that, after the program is transferred, it will conduct its own independent examination of all credit applications as well as full audits of some applications to ensure that the expenditures claimed for a credit are valid.

Recommendation No. 2

The Department of Commerce, Community, and Economic Development's (DCCED) Division of Economic Development (DED) director should consider amending Alaska Film Production Tax Incentive Program (AFPTIP) regulations to more clearly define Alaska residency and provide CPAs a more effective method of verifying expenditures claimed as resident wages.

We agree with Legislative Audit's position that AFPTIP regulations should be amended to more clearly define *Alaska residency* and provide CPAs a more effective method of verifying expenditures claimed as resident wages. DOR will work with DCCED to develop procedures and draft regulations to ensure that before and after the transfer of the AFO to DOR, *Alaska residency* is clearly defined and CPAs are given clear guidance on required procedures, including acceptable documentation, to verify *Alaska residency*.

DOR is currently in the process of reviewing the "Alaska Film Production Tax Credit – Compliance Guidance" document that was prepared by DCCED. This document is an excellent starting point for addressing some of the issues identified in Recommendations 1 and 2 above. We plan on working with DCCED to finalize the document and will incorporate Legislative Audit's findings into the final publication. In addition, as stated above, DOR will begin drafting regulations to address the changes made to the AFPTIP as a result of the passage of SB 23 (Chapter 51 of SLA 2012). Those regulations will also address the recommendations made by Legislative Audit. Unfortunately, the language in SB 23 does not allow DOR to adopt regulations until after the film program is transferred to DOR. Although we will not be able to officially adopt regulations, we will work diligently to have draft regulations available for public comment as soon after July 1, 2013 as possible.

Recommendation Nos. 3 and 4

These recommendations pertain to the portion of the film program that will be retained by DCCED after the program is transferred to DOR. As such, DOR has no comment on these recommendations.

We believe that we have addressed the findings and recommendations presented in your September 5, 2012 letter and welcome any additional comments or questions from you or your staff.

Sincerely,



Bryan Butcher
Commissioner

cc: Bruce Tangeman, Deputy Commissioner, DOR
Matthew Fonder, Director, Tax Division, DOR
Johanna Bales, Deputy Director, Tax Division, DOR
Jerry Burnett, Director, Administrative Services Division, DOR
Wanetta Ayers, Director, Division of Economic Development, DCCED



THE STATE
of **ALASKA**

GOVERNOR SEAN PARNELL

Department of Commerce, Community,
and Economic Development

OFFICE OF COMMISSIONER SUSAN K. BELL

P.O. Box 110800
Juneau, Alaska 99811-0800
Main: 907.465.2500
Programs fax: 907.465.5442

September 26, 2012

RECEIVED

SEP 26 2012

LEGISLATIVE AUDIT

Ms. Kris Curtis, CPA, CISA
Legislative Auditor
Division of Legislative Audit
PO Box 113300
Juneau, Alaska 99801

Re: Preliminary Audit Report 08-30066-12, Department of Commerce, Community, and Economic Development (DCCED), Department of Revenue (DOR), Alaska Film Production Tax Incentive Program (AFPTIP), Select Performance Issues

Dear Ms. Curtis:

Thank you for the opportunity to respond to the audit report recommendations on the Alaska Film Production Tax Incentive Program. In general, the department concurs with the recommendations, and I appreciate that the report notes DCCED has already taken action to address the identified issues.

Recommendation No. 1

The AFO development specialist should strengthen qualified expenditure documentation requirements to ensure tax credit calculations are adequately supported.

The department concurs with this recommendation, and as of February 15, 2012 implemented strengthened documentation requirements to ensure tax credit calculations are adequately supported. A contract was issued to review agreed upon procedures (AUP) for qualified expenses, the final application process, and to train Alaska CPAs in the verification process; these steps were completed on January 28, 2012. The revised AUP requires a complete verification of all claimed expenses when the production's expenses are below a \$500,000 threshold. Productions with expenses of more than \$500,000 are verified with audit tests at the 99 percent confidence level within 1 standard deviation. All productions submitting final applications after February 15, 2012 have been required to be verified using the new AUPs. Verifications are conducted by an Alaska CPA that has been trained in the new procedures. The strengthened requirements have resulted in more accurate, detailed, and easily verifiable final applications.

Recommendation No. 2

DCCED's DED director should consider amending AFPTIP regulations to more clearly define Alaska residency and provide CPAs a more effective method of verifying expenditures claimed as resident wages.

The department concurs that a clear and specific definition of Alaska residency should be considered for purposes of determining qualified spending on resident wages. DCCED drafted revised regulations during

the fall of 2011 but held those pending final development and training on the AUP. The regulations package was again deferred pending the outcome of Senate Bill 23 and the financial and performance audits underway.

In the interim, the new AUPs specify that eligibility for the extra 10 percent Alaska hire credit requires an employer/employee relationship with traditional withholding. AFO staff developed an Alaska residency affidavit that contains declarations consistent with the residency requirements of obtaining a permanent fund dividend. In order to simplify the verification of residency, a signed affidavit and supporting documentation should be kept on file by the production and provided to the CPA as part of the verification process.

Recommendation No. 3

The AFO development specialist should strengthen procedures for collecting and reporting Alaska employment data to ensure reliable information is available for program evaluation.

The department concurs with this recommendation and has taken action to address the issue through revisions to the tax credit application form. As discussed during the course of Legislative Audit's review, an additional change to the Final Application Form will be made to request the total number of hours worked on the project for both resident and non-resident workers. The number of hours can either be divided by 1,560 to arrive at an FTE estimate based on a 30 hour work week or by 2,080 based on a 40 hour work week. This approach will standardize the FTE estimate across all productions and the program as a whole.

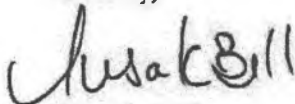
Recommendation No. 4

The AFO development specialist should develop film production internship training program certification procedures.

The department concurs with this recommendation. As noted in the report, the department has made progress in creating a certification framework. In 2011, the Legislature appropriated capital funds for the Alaska Crew and Cast Advancement Program (AKCCAP) and DCCED worked closely with the Alaska Workforce Investment Board and the Department of Labor and Workforce Development to draft criteria to evaluate and certify internship programs. Additional outreach efforts will continue with the University and other training providers to establish internship opportunities.

The scope and thoroughness of Legislative Audit's review on the AFTIP is appreciated. Thank you again for the opportunity to respond to the recommendations. If you have any additional questions, please contact me at 907-465-2500.

Sincerely,



Susan K. Bell
Commissioner

cc: Roberta Graham, Assistant Commissioner
JoEllen Hanrahan, Director ASD
Wanetta Ayers, Director DED



**Testimony from Steven L. Rychetnik re: HB112
March 28, 2013**

Good afternoon. My name is Steve Rychetnik and I am the cinematographer at SprocketHeads here in Anchorage. I've been a filmmaking professional in Alaska since 1977.

I appreciate the time you've given me to speak in **support** of the Alaska Film Incentive Program.

Our company, SprocketHeads, is on the front lines of Alaska's developing film industry. We work in the trenches in all phases of the feature film and commercial productions, from answering first inquiries, to well after the production has wrapped.

Before the incentive program, I was faced with shutting down our business and moving my family to a film incentive state like New Mexico.

Because of the film incentive program, in 2010 I was hired to be a 1st Unit camera operator on EVERYBODY LOVES WHALES.

I was also the sole camera operator for WHALES 2nd Unit that shot in Barrow and captured the "local color" of the community. These are the images that give the film it's character, it's authenticity, and a sense of place.

When the Nic Cage/John Cusak film, FROZEN GROUND came to town, I worked as a 1st Unit cameraman and was 2nd unit director of photography.



I am honored to have been asked to be a cinematographer on two big budget, and several smaller budget, feature films that are working to bring their productions to Alaska.

Years ago I scouted locations with Batman director Christopher Nolan as he was preparing to shoot his Alaska-based thriller, *INSOMNIA*. The director wanted to shoot his movie in Alaska but had to take it to Canada because Alaska did not have film incentives; **incentives always trump location.**

For example, A-list director Antione Fuqua, with whom I had the pleasure of working with last year on his scout in Alaska, shot his recently released film, *OLYMPUS HAS FALLEN*, a story that takes place at the *White House in Washington, DC... in Louisiana because of their aggressive film incentive program.*

Our company, SprocketHeads, is currently working with over ten feature films in various stages of development who have already invested years of time and money to bring their productions to Alaska.

In December SprocketHeads did a national production for Arby's in Anchorage and Kodiak, and we're currently in pre-production for national and international commercials that would otherwise not be spending their dollars in Alaska if we didn't have film incentives.

If Alaska did not have an incentive program the Arby's commercial would've gone to Massachusetts and we wouldn't have had the additional benefit of showcasing our scenery and seafood night and day on network television.

Perhaps you've watched *HOUSE OF CARDS*, the taut political thriller recently released in 13 one-hour episodes by NETFLIX. That series was produced in



Maryland and *continues* to bring them substantial positive economic impact.

We recently met with an executive from NetFlix; imagine how Alaska could economically benefit from landing a dramatic series like HOUSE OF CARDS?!

Movie-making is business, that's why it's called the film **BUSINESS**. It doesn't matter if you love movies or just don't like popcorn and milk duds. **Film is business**. And in the film business there are just as many conservatives as there are liberals. So what really matters is this: having a film business in Alaska is aggressive economic development.

So let's loose the dialog and cut to the chase- **You need to keep your word**. You should honor the promise you made to Alaska businesses and Alaskans when you extended the program to 2023; it's not only the right thing to do, its good business.

Thank you.





April 1, 2013

101 Dunkel Street, Suite 111 • Fairbanks, AK 99701-4806
(907) 457-3282 • (907) 459-3787 Fax
www.explorefairbanks.com

To Whom It May Concern:

On behalf of the Board of Directors of the Fairbanks Convention & Visitors Bureau (FCVB), we would like to state our opposition to HB 112 which would repeal the Alaska Film Production Tax Incentive Program.

FCVB contributes to the economic well-being of the Fairbanks area by executing an effective tourism marketing program. While fulfilling this role, we believe that FCVB has a unique viewpoint to share on this bill. As an economic development program, FCVB believes the extension of the Film Production Tax Credit creates jobs for Alaskans and diversifies the economy. While films are in production in Alaska, there are measurable benefits to hotels, airlines, restaurants and others in the travel & hospitality industry.

FCVB must stress that the Film Production Tax Credit and film projects that portray images of Alaska do not replace the need to market Alaska as an attractive tourism destination. By definition, this tax credit promotes the new production of film projects within Alaska. It does not require such projects to promote Alaska as a destination, portray Alaska in a positive light, create a direct response mechanism for possible visitors, provide tools to facilitate planning a vacation to Alaska or connect viewers to Alaskan businesses. For these goals, a well-funded Alaska tourism marketing program is required.

Therefore, we wish to convey our continued support of the Film Production Tax Credits as an economic development program for an emerging industry. If you have any questions, please feel free to contact Deb Hickok at (907) 459-3770 or dhickok@explorefairbanks.com.

Warm Regards,

Matt Atkinson, Chair
Board of Directors

Deb Hickok
President and CEO

Helen Phillips

From: Daniel George
Sent: Tuesday, April 02, 2013 9:41 PM
To: House Finance Legislation
Subject: FW: HB 112

From: James Robinson [<mailto:jkrobinson@yahoo.com>]
Sent: Tuesday, April 02, 2013 9:55 AM
To: Rep. Bill Stoltze
Cc: Rep. Mike Hawker; Rep. Les Gara; Rep. Steve Thompson; Representative.Steve.Thompson@akleg.go; Rep. Tammie Wilson; Rep. Bryce Edgmon; Rep. Lindsey Holmes; Rep. Alan Austerman
Subject: HB 112

Hello,

For several reasons pushing through HB 112 is a bad idea. As you well know it is very difficult for a business to plan ahead if the rules abruptly change. Not only is it bad business to change the Film Incentive bill it makes Alaska look like a banana republic. I cannot think of any industry in Alaska that is not offered incentives to do business here. It is especially important to incentivize the nascent film industry. Please do not renege on your promise to the film industry and Alaskan's, do not support HB 112.

Thank You

James Robinson

Helen Phillips

From: Daniel George
Sent: Tuesday, April 02, 2013 9:51 PM
To: House Finance Legislation
Subject: FW: oppose HB 112

From: Brian Wescott [<mailto:alaskawescott@yahoo.com>]
Sent: Wednesday, March 27, 2013 10:29 AM
To: Daniel George
Subject: oppose HB 112

Dear Representative

I strongly urge you to oppose House Bill 112. It would be a fatal disaster for a vital new sector of the economy in Alaska.

Cordially,

Brian Wescott
Fairbanks



March 3, 2014

Representative Bill Stoltze
State Capitol Room 515
Juneau, AK 99801

RE: HB112

Dear Representative Stoltze,

It has come to my attention that HB112, a bill to repeal the film tax credit program, is scheduled to be heard again in House Finance this session.

As a subsidiary of NANA Development Corporation, Piskik has made significant investments in equipment and infrastructure that is only realized utilizing an economic incentive to our businesses. Trucks, cameras, sound stage, specialty lights, sound gear, green screen, communications and Alaskan labor to mention a few.

In addition, marketing the state through trade shows, collateral pieces, sales trips and high-end advertising has been both substantial and beneficial to our business and the state.

In those efforts, marketing to Producers of Feature Films, 24 films with a potential Alaskan economic impact of 1.2 billion dollars have scripts that could use Alaska as their backdrop. Out of those 23 films, 9 films are seriously considering Alaska, representing approximately 45 million dollars in Alaska spend. This economic impact does not represent any above the line (ATL) wages for outside producers but rather total economic impact to the state.

Feature films are not the only industry segment that creates economic opportunity in Alaska. High-end television commercials, documentaries, docu-series, specialty TV and webisodes all bring economic opportunity to the state.

Crew training is another benefit to the incentive program. In order to meet the demand of production shooting in Alaska, several hundred people have been trained in various disciplines. Our studio facility has been the training ground for most of these programs with many more scheduled in coming months.

The energy and efforts are here to maintain a program that creates opportunity for Alaska business and individuals. We need the continued partnership of the state to build this industry.

We urge you to reconsider introducing HB112.

Sincerely

A handwritten signature in black ink that reads "Robin Kornfield". The signature is written in a cursive, flowing style.

Piskik, LLC
Robin Kornfield
President



4 March 2014

Representative Bill Stoltze
State Capitol Rm. 515
Juneau, AK 99801-1182

Dear Representative Stoltze,

Alaska Crew Training is a non-profit organization committed to the training and advancement of Alaskan Crew working in Alaska's Film Industry. To date, we have trained hundreds of students seeking positions. We offer classes that appeal to students seeking entry-level positions to seasoned professionals working in the industry who want further training. We facilitate the placement of students on commercial, television and film projects that shoot in Alaska. We can cite several examples of students who have taken our program who find employment almost immediately after completion.

It is important to have quality projects shooting in Alaska- the film incentive is largely credited with attracting these types of projects. In turn, these film ventures provide rich training grounds for students through On the Job Training. Alaska New Media has witnessed dozens of motivated crew members swiftly advance their career after being given the opportunity to land their first job in the industry. We are cultivating a healthy workforce and would like to continue to do so; the quality and quantity of projects play a large factor in sustaining this workforce.

The passage of HB 112 threatens the future of Alaska's growing Film Industry and stands in the way of retaining skilled crew. Please reconsider HB 112 and keep Alaskan Crew working in Alaska.

Sincerely,

Stacy Boles
Program Director
Alaska New Media

PO Box 110163 Anchorage, AK 99511



March 3, 2014

Dear Representative Stoltz:

I'm writing in response to proposed legislation HB112. In the time period since the bill became enacted, we have seen our company grow in many meaningful ways including increased staff, crew, budgets, equipment and studio space as well as our total output.

In the process, we have trained many young people in technical and producing capacities as well as launched new careers for Alaskans such as in Script Supervising and documentary filmmaking. I was personally able to purchase a home due to this growth as have several of my sub-contractors. When it came time to leave or stay we chose to stay largely in part due to this increase in work opportunities.

While the industry here is still young, it deserves to continue to grow. Diversification of economy is critical to Alaska. This is also providing the roots our youth need to keep them in Alaska, doing work they love. Los Angeles is no longer the king of production and film incentives such as we have are part of the reason. Please continue to support us as we move from fledgling to thriving.

Thank you for considering that we really need this incentive and want to ask you to reconsider your position on HB112.

Sincerely,

Mary R. Katzke, Director
Affinityfilms, Inc.
PO Box 91182
Anchorage AK 99509
907-250-6897
marykatzke@gci.net



March 4th, 2014

RE: Proposed legislation HB112

Dear Representative Stoltze,

I am writing on behalf of the one hundred members who are part of the Alaska Film Group, the states largest non-profit trade association of film and video professionals. Our membership spans the state. We have seen first hand the positive economic impact film tax credits provide for all our members; individuals and businesses owners alike. The film industry brings prosperity and economic diversity.

We know the Dept. of Revenue has safeguards in place for the administration of the program. Tax credits are issued AFTER verification by a state certified CPA and AFTER dollars have already circulated through Alaska's economy and filming has finished.

We believe film production dollars create a healthy, diversified Alaskan economy. As an added benefit, Alaskan based corporations are able to utilize these tax credits to bring savings to their bottom-line. That in turn frees up capital and allows them to grow, to hire more workers and expand within the state.

This past year many Alaskans have been impacted by film productions in their communities. In Anchorage, Barrow, Eagle River, Fairbanks, Juneau, Ketchikan, Kodiak, Nome, Palmer, Seward, Sitka, Sutton, and Wasilla; businesses and individuals earned paychecks from local, national, and international film projects, many of them members of The Alaska Film Group.

As Alaskans we are confident that economic diversification is a sign of a healthy and prosperous Alaska. Please support this emerging industry that shows statewide benefit to all Alaskans and reconsider your proposed legislation that would end the program.

Thank you for taking the time to hear out our concerns with this important issue.

Sincerely,

Deborah Schildt – President
The Alaska Film Group

P. O. Box 92008, Anchorage, Alaska 99507

Periscope
610 N Street No. 4
Anchorage, AK 99501

March 3rd, 2014

Representative Bill Stoltze
State Capitol Room 515
Juneau, AK 99801

RE: HB112

Dear Representative Stoltze,

It's simple economics. Alaska's film industry produces a positive economic impact on both my business and my community thanks to the film incentive program. Given the safe-guards already in place, I am not only confident tax credits benefit Alaskans but am personally proof of it. Even though I am 71, there is no retirement in sight for me. I have to continue to work for a long time to come, meaning my future depends on our state's competitive incentives to attract productions.

Credits are awarded only after the dollars have circulated through the economy and filming is complete. Qualified spending is verified by an independent state certified CPA before a tax credit is issued. In addition, by law the Department of Revenue must provide the legislature with a full report outlining all activity within 30 days of the start of each session (AS 44.25.100-44.25.190).

Like many others, my business receives film production dollars and benefits from a program that creates a healthy and diversified Alaskan economy. Economic diversification is good for everyone.

Please support growth in this emerging industry that shows statewide benefit to all Alaskans and reconsider introducing HB112. We are on the cusp of great things to come.

Thank you for your time with this important issue to me personally.

Sincerely,

Carolyn

Carolyn Muegge-Vaughan
Owner



Technology . Commitment . Integrity

03.04.2014

RE: HB112

Representative Bill Stoltze;

As a business owner interested in building a competitive stable economy several situations came to mine when I heard about HB112. Allow me to share 4 thoughts.

Situation 1: Alaska has a three legged economy, government, energy, and all others.

Problem: The most successful leg, Energy is in a cycle of decline. The federal government revenue leg is also expected to continue in a phase of decline.

Implication: The third leg of the economy, all other businesses, will need to shoulder more of the economic responsibility.

Needs Pay Off: The past film program , although not perfect, returned \$2.05 in business revenue for every \$1.00 in Film Incentive spent, according to the numbers reported in a past legislative audit.*

Situation 2: The new film incentive program is just starting its 10 year life and thanks to hard work by fiscal conservatives like yourself the program calls for more Alaskan jobs and greater economic impacts for Alaskan companies. The legislature's efforts have created a globally competitive program. Thank you.

Problem: HB112 attempts to abort the program prematurely.

Implication: Diversification of the economy, and new economy sectors, will die a premature death and remaining production will continue to be stunted by an uncompetitive environment if HB112 goes forward.

Needs Pay Off: The current film program has a number of watch dog factors to further ensure Alaska benefits from the incentive program. The movement of the program to D.O.R. ,the contract for a state rep and D.O.C. continued avocation of Alaska as a destination.

Note: I have spoken with most of the vendors involved in film production projects on the Kenai Peninsula, please trust me as a fellow conservative when I tell you the overall experience is very positive and the industry is well received.

Situation 3: The legislature is entertaining HB112

Problem: HB112 will discontinue the Film Incentive

Implication: All investments, capital, time, to this point will have been wasted.



Technology . Commitment . Integrity

Needs Payoff: HB112 doesn't need to happen, please allow the industry to grow in Alaska.

Situation 4: Alaska is unequaled in raw splendor and majesty. Alaska's competitive film program brand new but must be given an opportunity to succeed.

Problem: There are acceptable substitutes for filming Alaskan -esque scenes

Implication: As in other industries Alaska needs to be competitive in the global market to bring projects to the state.

Needs Pay Off: Working together over the last several years in the legislature the people of Alaska refined our film program to be more beneficial to the state of Alaska, providing a stable ten year structure so productions can plan long term.

Conclusion:

To repeal the film production tax credit at this time wastes years of legislative work to produce a new more beneficial film production program and five years of industry work, investment, and training to set the foundations of the industry.

Our competitors are investing more aggressively and are seeing bigger gains. Might I suggest we move forward with the plan we worked out together in the legislature. Please join me in supporting business and industry in the state as we continue to diversify the economy for a stronger future. Let's do what we agreed to do, invest in Alaska by providing a stable and competitive environment for the film industry to grow in Alaska. Join me in stopping HB112 an Anti-business bill.

Thank you for your consideration,

A handwritten signature in cursive script that reads "Randy".

Thomas R. Daly
HiSpeed Gear Inc., Kenai, Alaska
HiSpeed Gear Co, Anchorage, Alaska
HiSpeed Gear 2 LLC, Soldotna, Alaska

Alaska Film Group, Board Member
Tom Randell's Daly Show, Producer



March 3rd, 2013

Dear Representative Stoltze,

This letter is in response to the proposed legislation HB112.

Alaska's film industry produces a positive economic impact on both my business and my community. Given the safe guards already in place, I see first hand that these tax credits benefit Alaska companies and Alaskans.

As an Alaskan owned and operated company, Hybrid Color Films and many other Alaska owned production companies just like it are able to utilize these tax credits to bring savings to our bottom-line, freeing up capital that allows us to invest in our infrastructure and continue to hire more employees while helping to grow our states economy and expand with the state.

I am committed and long time Alaskan and I have expanded our company as a direct result of the tax incentive program. We now employ 5 full time Alaskans with further expansion coming this summer. We are able to pay high wages that our Alaskan workers can actually live on. We are actively involved with programs such as the King Career Center video production classes where we will be taking on several young interns to help expand the knowledge in our young people and grow our talent base of highly skilled Alaskan workers, which leads to high paying local jobs for many of these young people and enables them to stay in the state that they love.

Economic diversification is good for everyone. Please support growth in this emerging industry that shows statewide benefit to all Alaskans.

Thank you for your time with this important issue.

Sincerely,

Richard A. Cooper

Owner, Hybrid Color Films LLC



**Alaska Video
Postcards, Inc.**

P.O. Box 112808
Anchorage, AK 99511-2808

907-349-8002
800-248-2624
Fax 907-349-2208
avp@akvideo.com
www.akvideo.com

March 4, 2014

**Representative Bill Stoltze
State Capitol Room 515
Juneau AK, 99801**

Dear Representative Stoltze,

I am writing today regarding the Alaska Film Incentive, and how my company and the team I employ currently benefits from the program.

I have been an Independent film maker in Alaska for the last 27 years. Self-employed – owner of Alaska Video Postcards, Inc. in Anchorage.

I have applied for one Film Tax Production Credit and the project has been approved. We are currently in production of a documentary chronicling Anchorage's first 100 years.

The available funds to produce this program were not sufficient to complete the documentary without the help of the film tax credit. All of the credit will be used to pay Alaskans for work on the film. Everyone from the camera operators, researchers, post production editors, historians and I, the executive producer, all get a portion of our salaries from this tax credit.

Without this kind of program, films of this kind – independent and funded by non-profits, would likely not get made. And the Alaskans we employ would be looking for work elsewhere including out of state.

The program as it's currently designed, favoring Alaskan producers, is putting Alaskan filmmakers and the industry support group to work. I strongly support it and hope we can maintain this kind of program which ultimately supports our economy and showcases Alaska to the rest of the world.

Best,

**Todd Hardesty
President**





1614 Rierie Drive
Anchorage, Alaska 99507
907.301.3160 www.akalpine.com

March 4th, 2014

Representative Bill Stoltze
State Capitol Room 515
Juneau, AK 99801

RE: HB112

Dear Representative Stoltz,

Alaska's film industry produces a positive economic impact on both my business and my community. Given the safe-guards already in place, I am confident tax credits benefit Alaskans. Credits are awarded only after the dollars have circulated through the economy and filming is complete. Qualified spending is verified by an independent, state certified CPA before a tax credit is issued. In addition, by law the Department of Revenue must provide the legislature with a full report outlining all activity within 30 days of the start of each session (AS 44.25.100-44.25.190).

Like many others, my business receives film production dollars and benefits from a program that creates a healthy and diversified Alaskan economy. Further, as an Alaska based company I'm able to provide these required verifications. In July I quit my job to start my own accounting firm, focused on the film industry and in particular with providing the CPA verifications required by the state. These verifications ensure that the credits awarded are qualified expenditures as outlined in the Alaska Statutes. Each production must go through a rigorous verification process by the CPA. The report is then turned into the Department of Revenue who performs their own review prior to recommending to the Commissioners the production for a tax credit. The Commissioners then review the expenditures and provide the final decision on the tax credit. These expenditures go through three reviews prior to any credit being award in order to verify that the expenditures being claimed are allowable under the Alaska Statutes. Over 90% of my business is derived from the CPA verification required by the state. When I set up my business I was under the impression that the film tax credit had 9 years left. Without the tax credit it is very unlikely that my business will survive its 1st year.

Please support growth in this emerging industry that shows statewide benefit to all Alaskans and reconsider introducing HB112.

Thank you for your time with this important issue.

Sincerely,

A handwritten signature in black ink that reads "Jacy Petersen".

Jacy Petersen, Owner
Alpine Accounting, LLC



March 3rd, 2014

Representative Bill Stoltz

State Capitol Room 515

Juneau, AK 99801

RE: HB112

Dear Representative Stoltz,

Alaska's film industry produces a positive economic impact on both my business and my community. Given the safeguards already in place, I am confident tax credits benefit Alaskans. Credits are awarded only after the dollars have circulated through the economy and filming is complete. Qualified spending is verified by an independent, state certified CPA before a tax credit is issued. In addition, by law the Department of Revenue must provide the legislature with a full report outlining all activity within 30 days of the start of each session (AS 44.25.100-44.25.190).

Like many others, my business receives film production dollars and benefits from a program that creates a healthy and diversified Alaskan economy. Further, as an Alaska based company I have an option to utilize these tax credits to bring savings to our bottom-line, freeing up capital that allows us to continue hiring more employees and expand within the state.

Economic diversification is good for everyone. Please support growth in this emerging industry that shows statewide benefit to all Alaskans and reconsider introducing HB112.

Thank you for your time with this important issue.

Sincerely,

A handwritten signature in black ink, appearing to be "A. J. ...", written over a light blue horizontal line.

Evergreen Studios

D & M Properties
PO Box 242741
Anchorage, AK 99524
907-677-7262

March 4, 2014

Dear Representative Stoltz,

This letter is in response to the proposed legislation HB112.

We at D & M Properties feel that Alaska's film industry produces a positive economic impact on any community in Alaska lucky enough to be involved. We are a small family run business operating out of Anchorage and Seward since 1990, residents since 1978, with our children born and raised here we are proud to be Alaskans. We have personally seen the positive income created by being a part of the business the film industry generates in the communities of Anchorage and Seward. Like many others our business receives film production dollars and benefits from a program that creates a healthy, diversified Alaskan economy. Also, Alaskan companies are able to utilize these tax credits to bring savings to their bottom line, freeing up capital which allows them to continue to hire more employees and expand business within the state.

Given the safe guards already in place, we are confident that these tax credits benefit us as Alaskans. Let's not forget that credits are awarded only after the dollars have circulated through the economy and filming is complete. Those dollars are also verified by an independent, state certified CPA.

This past year many Alaskans felt the positive impact of film production in their communities. In Anchorage, Barrow, Eagle River, Fairbanks, Juneau, Ketchikan, Kodiak, Nome, Palmer, Seward, Sitka, Sutton, and Wasilla business and individuals earned paychecks from local and national and international film projects. In Anchorage, Fairbanks, Kotzebue, and Nome students received training for jobs in the film industry. Many of these graduates furthered their training through employment on feature films and commercial productions, for some, right in their home communities. What a huge opportunity otherwise untouchable by our locals when they venture outside.

Economic diversification is good for everyone. Please support growth in this emerging industry that shows statewide benefit to all Alaskans.

Thank you for your time with this important issue.

Sincerely,

Dennis and Mary Bailey
D & M Properties



the hotel
Captain Cook

839 W. 5TH AVENUE, ANCHORAGE, ALASKA 99501
PHONE (907) 276-6000
SALES/CATERING PHONE (907) 343-2207
FAX (907) 343-2211
RESERVATIONS FAX (907) 343-2298
ACCOUNTING OFFICE FAX (907) 343-2262

March 4, 2014

Representative Bill Stoltze
State Capital Room 515
Juneau, AK 99801

Dear Representative Stoltz,

Alaska's film industry produces a positive economic impact on both my business and my community. Given the safe-guards already in place, I am confident tax credits benefit Alaskans. Credits are awarded only after the dollars have circulated through the economy and filming is complete. Qualified spending is verified by an independent, state certified CPA before a tax credit is issued. In addition, by law the Department of Revenue must provide the legislature with a full report outlining all activity within 30 days of the start of each session (AS 44.25.100-44.25.190).

Like many others, my business receives film production dollars and benefits from a program that creates a healthy and diversified Alaskan economy. Further, as an Alaska based company I have an option to utilize these tax credits to bring savings to our bottom-line, freeing up capital that allows us to continue hiring more employees and expand within the state.

Economic diversification is good for everyone. Please support growth in this emerging industry that shows statewide benefit to all Alaskans and reconsider introducing HB112.

Thank you for your time with this important issue.

Sincerely

A handwritten signature in cursive script that reads "Raquel M. Edelen".
Raquel M. Edelen
Vice President Operations

B
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R



March 3rd, 2014

Dear Representative Bill Stoltze,

I am writing today as a business owner who benefited from film production here in Alaska. Because of the Amazing Race, a production that applied for a filmmaking tax credit, my business, Bootlegger Security, saw positive economic impact.

Bootlegger Security was hired to perform security detail for one the show's primary shooting locations. For us, this yielded 5 days worth of billable time. In addition to my business, I know the Amazing Race rented 30+ hotel rooms, rented 10+ rental cars, gassed all the rental cars at a local gas station, hired local boat captains, hired local climbing guides, and the 80+ crew ate at restaurants all over Juneau.

That all represents dollars put directly into the Juneau economy as a result of the film production tax credits.

The global film industry is extremely competitive. I want Alaska to continue to grow as a hot destination for film and television producers. Economic diversification is good for everyone.

Thank you for your time.

Sincerely,

Marty Neff

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March 3rd, 2014

Representative Bill Stoltze
State Capitol Room 515
Juneau, AK 99801

RE: HB112

Dear Representative Stoltz,

Alaska's film industry produces a positive economic impact on both my business and my community. Given the safe-guards already in place, I am confident tax credits benefit Alaskans. Credits are awarded only after the dollars have circulated through the economy and filming is complete. Qualified spending is verified by an independent, state certified CPA before a tax credit is issued. In addition, by law the Department of Revenue must provide the legislature with a full report outlining all activity within 30 days of the start of each session (AS 44.25.100-44.25.190). Specifically we had American Eagle and the Amazing race stayed with us and these two productions alone brought a huge economic impact to our community.

Like many others, my business receives film production dollars and benefits from a program that creates a healthy and diversified Alaskan economy. Further, as an Alaska based company I have an option to utilize these tax credits to bring savings to our bottom-line, freeing up capital that allows us to continue hiring more employees and expand within the state.

Economic diversification is good for everyone. Please support growth in this emerging industry that shows statewide benefit to all Alaskans and reconsider introducing HB112.

Thank you for your time with this important issue.

Sincerely,

Stephen Hamilton
General Manager
Westmark Baranof hotel

AVIS.

We try harder®

Alaska Rent A Car, Inc.

Avis System Licensee
P.O. Box 190028
Anchorage, Alaska 99519-0028

Tel: (907) 243-4300
Fax: (907) 249-8247
E-mail: avis@avisalaska.com

March 3, 2014

Representative Bill Stoltze
State Capitol Room 515
Juneau, Alaska 99801

Re: HB 112
Repeal of film production tax credit

Dear Representative Stoltze:

We have come to understand that HB 112 has once again been reintroduced to the Alaska Legislature for consideration. While we don't pretend to understand the reasoning that the repeal of the Alaska film production tax credit is once again being proposed, we do know the positive impact the film industry has on Alaska.

We are an Alaskan owned licensee of the Avis System and employ over 100 full time Alaskans across Alaska. We have seen the positive impacts of the film industry at literally all of our dozen locations throughout Alaska, from Petersburg to Fairbanks and Juneau to Kodiak.

The film industry means additional revenues to Avis (usually in the less busy shoulder seasons), which makes our lean winter months a little more manageable. The film industry also means additional revenues to local and state agencies through the vehicle rental and sales taxes that we collect.

We would ask that you reconsider the introduction of HB 112; the positive impact this industry has on Alaska is simply good business.

Thank you for your attention this correspondence. Should you have any specific questions about the impact on Alaska Rent A Car, Inc. please do not hesitate to contact us.

Sincerely,



Gary Zimmerman
General Manager
Alaska Rent A Car, Inc.

March 4th, 2014

Representative Bill Stoltze
State Capitol Room 515
Juneau, AK 99801

RE: HB112

Dear Representative Stoltz,

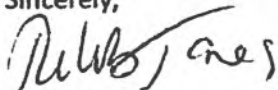
Alaska's film industry produces a positive economic impact on both my business and my community in Juneau. Given the safe-guards already in place, I am confident tax credits benefit Alaskans. Credits are awarded only after the dollars have circulated through the economy and filming is complete. Qualified Alaska spend is verified by an independent, state certified CPA before a tax credit is issued. In addition, by law the Department of Revenue must provide the legislature with a full report outlining all activity within 30 days of the start of each session (AS 44.25.100-44.25.190).

Like many others, my business receives film production dollars and benefits from a program that creates a healthy and diversified Alaskan economy. Further, Alaskan based corporations are able to utilize these tax credits to bring savings to their bottom-line, freeing up capital that allows them to continue to hire more employees and expand within the state.

Economic diversification is good for everyone. Please support growth in this emerging industry that shows statewide benefit to all Alaskans and reconsider introducing HB112.

Thank you for your time with this important issue.

Sincerely,



Becky Janes
Co-owner/Manager
Above & Beyond Alaska, LLC

Matthias Breiter
BreiterView Inc.
200 W34th Ave. #781
Anchorage, AK 99503
907-952-4200
matthias.breiter@breiterphoto.com

Anchorage, Alaska, March 4, 2014

To
Representative Bill Stoltze
State Capital Room 515
Juneau, AK 99801

Dear Representative Bill Stoltze,

I own a publishing house and film production company in Canada. We work on natural history and scientific documentaries for the Smithsonian Institution and the National Geographic Society and also on international productions with TV channels in Europe and Australasia. I am currently, through marriage based out of Canada but I have lived for many years in Alaska, have done numerous books on the state for various publishers and strongly desire to move back to Alaska and move my production facilities back into the state.

Currently we have several TV productions in the development phase to commence upon completion of a Polar Bear documentary we presently do for Smithsonian. Based on the existence of the Alaska Film Incentive program, we are intending to shoot most of the films under development for National Geographic and Smithsonian in Alaska with local cinematographers. We are also considering to have all the post production work done in state. In total, the monies to be spent on these projects in Alaska would amount to several million dollars.

Presently, many Hollywood productions are filmed in New Zealand, Canada and Eastern Europe as these countries have film incentive programs. I personally do not see these programs as a luxury or unfair competition or at least not more so than any other incentive program in any other industry. We produce a product and we hire people to do so. There are tax incentive programs for all kinds of industries including mining, oil

exploration, farming, new technologies etc. etc. They all have the intention to encourage companies to invest money into specific regions. Our interest to work on numerous documentaries in Alaska, hire local talent, and potentially move our operations to Alaska is based on being able to compete with other producers in other parts of the world. In absence of the Alaska Film Incentive program, we cannot successfully compete while hiring Alaskan staff and maintaining an Alaskan office. If the Film Incentive program in Alaska is discontinued, all post-production of these documentaries under development would be done in our existing production facility with our staff in Canada, much of the filming would be completed in Canada and as a Canadian production company Canadian staff cinematographer would be used instead of Alaskan talent as their salaries would then fall under the Canadian incentive program.

I generally agree that free trade and a free market should regulate an industry and not government sponsorship. However, regional and national incentive programs are a fact of business life in all industries in all countries around the globe including Alaska. Business owners have to make decisions based on production costs and budget calculations. Our decision where to spent our production budget, be it in Alaska or somewhere else, and where to hire staff is and always will be strongly influenced by the existence of government programs such as the Alaska Film Incentive program.

With best regards,

A handwritten signature in black ink, appearing to read 'Matthias Breiter', with a long horizontal flourish extending to the right.

Matthias Breiter

HB 112 Communications

Date	Name	Voter Reg.	Issue	Action
3/5/14	Carol VanDerWege	29N – Olson	Please vote no, eliminating the funding for tax credits will be detrimental for Alaska	
3/4/14	Charles Hewitt – President Mirror Sutdioa	27 R – Hawker	Give the Film Tax credit time to prove itself.	
3/5/14	Carl Weber	26D – Reinbold	Vote NO on this.	
3/5/14	Hilda Lespron	28U – Chenault	Keep the film tax, we filmed Christmas with a Capital C here in Seward and it was good for the community	
3/5/14	Eric Lizer	24U – Millett	I am a Union and Film Electrician and have worked on Movies	
3/5/14	Maya Salganek	38D – Guttenberg	Writing on Behalf of the UAF film Program and the Film Tax Credit has benefited students	
3/4/15	Katherine Johnston	21D – Johnson	Vote no on HB 112 and remove section 12 from HB 306	
3/4/14	DK Johnston	23R – Lynn	I am a full time director, producer and production manager in Alaska because of the Film Tax Credit Program	
3/3/15				

Darrell Breese

From: Carol VanDerWege <carolupnorth@gmail.com>
Sent: Wednesday, March 05, 2014 4:16 PM
To: Rep. Bill Stoltze
Subject: HB112, HB306

29W - Olson

Dear Rep. Stoltze,

I would like urge you to reconsider your position on HB 112 and HB306 and vote "NO". I feel these bills are detrimental to Alaska for several reasons.

The Alaska film community is made up of up and coming filmmakers, actors, directors and crew who want to make their livelihood in Alaska, not Hollywood. They bring revenue into our state through their buying power, taxes, and increased tourism. Louisiana, Georgia, Oregon, and Canada (to name just a few) have excellent incentive laws for filmmakers. Our young people shouldn't have to move out of state in order to make their living. They should be supported by our state and able to give back.

They make films about Alaska, in Alaska, so they are authentic representations of our state. When those films bring other people into the state, they spend money in our hotels, restaurants, small businesses, and department stores. We go to those films because they are made by Alaskans.

I implore you to support our film community by voting "NO" on HB112 and HB306. Thank you for your dedication to our state by continuing to represent your constituents in the House.

Sincerely,

Carol VanDerWege
3933 Hampton Dr.
Anchorage, AK. 99504

Sent from my iPad



MIRROR STUDIOS

Charles Hewitt
27 R -
Hawley

March 4, 2014

Rep. Bill Stoltze
State Capitol Room 515
Juneau AK 99801

RE: HB112 Repeal Film Production Tax Credits

Dear Representative Stoltze:

I respectfully ask that you allow the Alaska Film Tax Credit Program enough time to prove itself as a serious economic stimulus.

I am a Republican and owner of Mirror Studios, a production / post-production facility in Anchorage. We have been operating in Alaska for over 20 years. An ongoing challenge that we have always faced, when trying to convince our out-of-state colleagues to conduct business in Alaska, was the additional costs directly associated with our geographic location. However, with the passing of the Film Tax Credit Program, we finally had an opportunity not only to attract an entirely new industry to our great state but also to showcase Alaska to the rest of the world. The existence of this program has opened doors for us that were previously closed – the interest from the Lower 48 is real. Subsequently, we invested heavily, in both infrastructure and personnel, to support this initiative. However, the resurrection of HB112, for the second time, threatens our current, pending, and prospective projects.

I know you can appreciate the importance of a stable tax environment. Much like the oil taxes, if you show instability, potential investors will look elsewhere. And stability or lack thereof shows up across the board. It is not industry specific. The oil companies know when the state reneges on a promise, even in a different industry. It creates unrest. In these economically challenging times we should be searching for ways to create strength and stability.

Please reconsider your efforts to eliminate the Alaska Film Tax Credit Program. I truly believe that attracting film production to Alaska will have a lasting positive impact on our economy.

Sincerely,

Charles Hewitt, President
Mirror Studios

Cc: House Finance Committee

AK . DC . LA

Darrell Breese

From: Carl Weber <alaskabr549@gmail.com> 26D - Reinbold
Sent: Wednesday, March 05, 2014 12:29 AM
To: Rep. Alan Austerman; Rep. Mark Neuman; Rep. Bill Stoltze; Rep. Mia Costello; Rep. Bryce Edgmon; Rep. Lindsey Holmes; Rep. Cathy Munoz; Rep. Steve Thompson; Rep. Tammie Wilson; Rep. Les Gara; Rep. David Guttenberg; Rep. Mike Hawker
Subject: House bill 112 and 306

NO ON BOTH!! Keep our local film industry alive.

Carl Weber

Sickday Production

Darrell Breese

From: Hilda Lespron <hlespron@yahoo.com> 280 - Chenault
Sent: Wednesday, March 05, 2014 1:53 AM
To: Rep. Bill Stoltze
Subject: Vote NO on HB112 and HB306, We want Film Incentives and Tax Credits in AK!!!

Dear Representative ,

I am a long time resident of Seward, AK. I am in the ARTS and am part of the Port City Players, one of the most historical acting troupes in Alaska. Right now we are having "Sugar Mountain" filmed in Seward and we are very proud of this. We also filmed "Christmas with a Capital C" here in Seward. Other feature length films have taken place in our great state.

I am urging you to please speak in our favor to stop HB112 and HB306 from passing today, Wednesday, and to key your colleagues in with your support. These Bills will take away our tax incentives for film and television. I just recently won first place at the 2013 Balto Film Festival and would like the opportunity to expand in this industry. I have film talent folks who want filming to happen here in Alaska and we need your help to bring this to fruition. This is still new and we need to nourish this tax credit program and apply it to wider viewed films. Open the doors to opportunity.

What you, Representative Bill Stoltze, who co-chairs the House Finance Committee do not recognize is the advertising of having films in Alaska which will attract more tourists worldwide because, yes, we are that awesome and our state is that beautiful and we do keep posterity dear. www.ktuu.com/news/news/film-tax-credit-repeal-to-receive-hearing/24809806 Keeping Tax Credits going demonstrates the collaboration and commitment it takes to have such an endeavor accomplished here in our soil and the support our legislators have to the people of the State of Alaska which makes our state so unique. Lots of folks in Hollywood look up to Alaska as the ones who filmed "Into the Wild". We are breaking the mold and people do notice. Our children will be better for it. Don't separate us from the outside. Keep Hollywood in and keep the film industry coming. Let's keep that tradition and do what we do best.

Vote NO on HB112 and HB306

Thank you,

Hilda Lespron
(907) 362-7776
PO Box 457
33508 Lincoln St #15

“Keep music and art alive in our schools because the greatness of a country is not measured by wars that are won, by territory annexed or even the size of a deficit. It is measured by the beauty of the art work by talented hands, the sounds of the music created from the heart and by the wonder of the eyes and ears beholding them in joy. Art and music are the windows of the soul of any country. The greater the art created, the greater the country.” — Clarrissa Lee Moon

Darrell Breese

From: Eric Lizer <upconcerts@hotmail.com> 240-~~414~~ Millett
Sent: Wednesday, March 05, 2014 4:11 AM
To: Rep. Alan Austerman; Rep. Mark Neuman; Rep. Bill Stoltze; Rep. Mia Costello; Rep. Bryce Edgmon; Rep. Lindsey Holmes; Rep. Cathy Munoz; Rep. Steve Thompson; Rep. Tammie Wilson; Rep. Les Gara; Rep. David Guttenberg; Rep. Mike Hawker; Eric Lizer
Subject: An Alaska Film Workers perspective on HB112

Hello Representatives,

My name is Eric Lizer, and I am a Union Film and Theater Electrician. What that means in lay-mans terms, is that I'm a lighting guy. I run heavy cable on the ground and I point lights at things. I also manage the local chapter of the International Alliance of Theatrical and Stage Employees, I.A.T.S.E. Local 918.

Six years ago, before the Alaska Film Tax Incentive Program and the Feature Films that came about because of it, IATSE local 918 had 25 carded up members, who only really worked at the PAC in Anchorage. But then the Tax incentive came into reality, and the big jobs that followed it, and our membership grew to 85 full carded up Alaskans. That's an additional 60 people who paid their own money out of their own pockets (\$450 ea), to join our little union and make an investment in this growing Alaskan industry. Since then, our Local as well as a few for-profit businesses, have been actively training the support staff needed for these new jobs.

From my perspective the Film Tax Incentive is a resource development issue. Alaska is a state thick with resources to go after. Oil, Timber, Coal, Copper, and Fish. But one other resource that Alaska has in spades, is that "intangible idea" that the Real America still exist here. That Alaska is a place where a person can work hard and prosper. That Alaska is a place surrounded by endless possibilities for a person who will put the effort in. And what does this "intangible Idea" translate to? It translates into 1,956,900 Visitors to the state who spent \$1.8 Billion. Of which the State and Boroughs netted \$179 Million in taxes and revenues just last season. I surly don't need to explain to you that Tourism is a growth industry in Alaska. You only need to look at the huge Juneau Dock Upgrade and Expansion to see that Tourism is booming. And why is that? A multitude of reasons, definitely. But the one I'm concerned with is the relentless selling of the "Alaska Dream" to the rest of the country. And that selling is done through mass media. Movies like "The Proposal" "Big Miracle" "and "On Frozen Ground". Also television shows of hard working industrious people like "Bearing Sea Gold" "Gold Rush Alaska" "the Deadliest Catch" and "Building Alaska". Even national 30 second commercials from Coors, Long John Silvers, and GMC Trucks help to build Alaska's Brand.

Just last week "Gold Rush" on the Discovery Channel won it's time slot with 1.8 Million American viewers age 18-49, and "Gold Rush Alaska" came in right behind it with 1.2 Million American viewers age 18-49, just that one night on the Discovery Channel alone! If the state of Alaska was to buy 30 minutes of advertising for 3 Million people to watch, what do you expect that would cost us? Now take those Millions of people thousands of miles away from us, who watched that hour of programing fascinated with the hard working Gold Miners and untamed wilderness, and multiply that by all the other people watching all the other Alaska themed shows on TV and in the Movies.

The Alaska Film Tax Incentive is the economic engine that brings the majority of these programs into their living rooms. The Alaska Film Tax Incentive is the tiny little kick start needed, to get TV and Film Productions made here, that then helps spark the idea in peoples minds that Alaska is a place worth seeing.

Now consider your standard Alaskan family with children growing up and graduating from High School. If you

had a child who was determined on working in the Entertainment Industry, wouldn't you want your child to have opportunities to follow that career path in Alaska? Rather than moving out of state?

In my experience, Film Jobs are Good Jobs. The Minimum Union Scale paid to the 160 trades people, who were under the jurisdiction to IATSE Local 918 on the Feature "Big Miracle" was \$24.32 an hour with 10 hour a day minimums guaranteed each day, and an additional flat \$86 a day paid into each workers health care and retirement packages. That scale is the entry rate, as I would expect over 100 of those 160 workers had little to zero prior film production experience. And I'm not talking about the actors or the talent here, I'm talking about 160 carpenters, painters, mechanics, seamstresses, electricians, laborers, food service people, accountants, and hair and makeup people. Those are the people who are under the jurisdiction of IATSE Local 918.

So, to summarize;

In the first 5 years of the program, the State offered out \$38 Million in Tax Credits, to get productions to come here and spend \$117 Million.

Between 2010-2013, IATSE Local 918, which represents the crafts and trade people of theater and film in Alaska, grew from 25 members to 85 members, who each paid \$450 to join the local and get trained in the various crafts of the Industry.

In 2010 because of varying factors Alaska's tourism industry was down to 1.5 Million visitors that year. It has since then had steady growth to almost 2 Million visitors this last year. It is very hard to make a tangible and direct correlation between Alaska's heightened national exposure from locally filmed Television, and nationally released Feature Films. But to say that there is NO correlation between all the national exposure Alaska now receives (much of it because of the Film Tax Incentive), and a 30% growth in tourism over the last four years, I feel is short sighted.

And if we don't make efforts to create opportunity, for the smart and creative youth of Alaska, they will continue to move south where they can find opportunities else ware.

I am available at anytime to provide the Representatives the National Union Contracts that dictate the wages, conditions, and benefits, that govern the Films, Commercials, and Television made in Alaska, and absolutely any thing else I can assist them with.

Thank you for your time, and thank you for the Alaska Film Tax Incentive program.

Eric Lizer
Business Agent
I.A.T.S.E. Local 918
Anchorage Alaska
(907)980-9065

Darrell Breese

From: Maya Salganek <maya@alaska.edu> 380 Guttenberg
Sent: Wednesday, March 05, 2014 7:40 AM
To: Rep. Tammie Wilson; Rep. Bill Stoltze; Rep. Mia Costello; Rep. Steve Thompson; Rep. Alan Austerman; Rep. Lindsey Holmes; Rep. Les Gara
Subject: HB 112 - Film Tax Incentives are putting Alaskans to work!
Attachments: mollywilsonstechcv.pdf; Riffey_FILM_08_29_13.pdf; Oppose hb112 filmUAF 030414.pdf

Dear members of House Finance,

Please accept my letter in opposition to House Bill 112 on behalf of the University of Alaska Film Program. I am happy to testify and discuss the opportunities this tax incentive program has provided to my students as well.

Attached you will find my letter, and the resumes of two of my students,. David Riffey is a current undergraduate student and has come to UAF from Texas to study film. Molly Wilson (from Haines) is alumni, having graduated just this past summer. Please note the LONG list of professional film jobs these two young people have already worked. They will continue to work in Alaska, so long as work is available. Should the work disappear, I guarantee these professionally trained students, and many like them, will follow suit.

Thank you for your service,

Maya Salganek

--

Maya Salganek
Assistant Professor, Film/Video Arts
Director of Film Program
Department of Theatre/Film
University of Alaska Fairbanks
PO Box 755700
Fairbanks, AK 99775
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w. (907) 474-5950
c. (907) 388-1080
www.uaf.edu/film
twitter: [@FilmUAF](https://twitter.com/FilmUAF)
facebook: [AlaskaFilm](https://www.facebook.com/AlaskaFilm)

MOLLY WILSON

Cell: 907-888-8369

fogcutterfilms@gmail.com

www.fogcutterfilms.com

FILM & TELEVISION

GOLD RUSH 4	<i>Assistant Producer</i>	RAW TV	Discovery
SHADES OF LIFE	<i>Camera Operator</i>	Alaska Public Media	Kavelina Torres
MINING FOR RUBY	<i>1st Assistant Camera</i>	Lock and Monkey Productions	Zoe Quist
LIFE BELOW ZERO	<i>Assistant Coordinator</i>	BBC Worldwide	National Geographic
WILD WEST ALASKA	<i>Production Coordinator</i>	Jupiter Entertainment	Animal Planet
FLYING WILD ALASKA 3	<i>Field Coordinator</i>	3-Ball/ Eyeworks	Discovery
GOLD RUSH 2	<i>Assistant Producer</i>	RAW TV	Discovery
GOLD RUSH: ALASKA	<i>Researcher</i>	RAW TV	Discovery
SIZZLE	<i>Field Coordinator</i>	Trans-Global Group	Tommy Baynard
PILOT	<i>Production Coordinator</i>	Trans-Global Group	Tommy Baynard
A SMALL GOOD THING	<i>Grip</i>	Mystic Artists	Pamela Tanner Boll
STOCK FOOTAGE	<i>Assistant Camera</i>	Maddogs Television	Martin Huntley
FAIRBANKS ASYLUM	<i>Assistant Camera</i>	Agency 49	Gareth O'Neil
CORPORATE VIDEOS	<i>Camera Operator</i>	Agency 49	Dave Selle
FBX COMMERCIAL	<i>Grip</i>	Agency 49	Dave Selle
GVEA COMMERCIAL	<i>Grip</i>	Murrow Media	David Murrow
ALASKALAND	<i>2nd Assistant Camera</i>	Where's the Fire Productions	Chinonye Chukwu
THE REFUGE	<i>Co-Director</i>	EPSCoR	Tyson Hansen
GONE NATIVE	<i>Camera Assistant</i>	Terra Incognita Productions	Margartia Ramon
ALASKA STORYTELLING	<i>Production Assistant</i>	Terra Incognita Productions	Margarita Ramon
SEA ICE RESEARCH	<i>Camera & Sound Op.</i>	International Polar Year	Maya Salganek

THEATRE

BURLESQUE	<i>Lighting Designer</i>	Naked Stage Productions	Rachel Blackwell
CHILKAT DANCERS	<i>Stage Manager</i>	Seawolf Studios	Tresham Gregg
WIZARD OF OZ	<i>Acting Coach</i>	Lynn Canal Community Players	Cathy Pashigian

EDUCATION

UNIVERSITY OF ALASKA FAIRBANKS

B.A. Theatre: Film & Multimedia, Summer 2013

B.A. Alaska Native Studies, Expected Graduation: Fall 2014

IATSE Workshops: Intro to Grip, Intro to Set Electrics, Intro to Set Construction

DID-INSTITUTE

German Language Immersion Program in Munich, Spring 2007

HAINES HIGH SCHOOL

High School Diploma, May 2004

REFERENCES: Available Upon Request.

David Riffey

davriffe@gmail.com
+1 (907) 750-5300
Production Sound Mixer/ Sound Editor

Production Sound Experience

<i>We Breath Again</i> (Feature-Documentary) Marsh Chamberlain, Director <ul style="list-style-type: none">• Production Sound Mixer	04/2013 – 04/2013 Fairbanks, AK
<i>Growing Native (Season 1 Ep. 2)</i> Vision Maker Media for PBS <ul style="list-style-type: none">• Production Sound Mixer	02/2013 – 03/2013 Fairbanks, AK
<i>Alaska Ice Cold Killers (Season 2, Episode 1-2)</i> M2 Pictures for Identification Discovery Channel <ul style="list-style-type: none">• Production Sound Mixer	10/2012 – 10/2012 Healy, AK
<i>Your Love</i> (Feature Film-Documentary) Alma Har'el, Director <ul style="list-style-type: none">• Production Sound Mixer	09/2012 – 09/2012 Fairbanks, AK
<i>Gold Diggers (Pilot Episode)</i> T Group Productions <ul style="list-style-type: none">• Production Sound Mixer	05/2012 – 05/2012 Nome & Fairbanks, AK
<i>Game Show (Episode 1-6)</i> University of Alaska Fairbanks <ul style="list-style-type: none">• Production Sound Mixer, Co-Producer	04/2012 – 05/2012 Fairbanks, AK
<i>Yuck Study (Short-Narrative)</i> Caleb Souder, Director <ul style="list-style-type: none">• Production Sound Mixer	05/2011 – 05/2012 Fairbanks, AK
<i>Green Talk TV (Episode 1-3)</i> University of Alaska Fairbanks <ul style="list-style-type: none">• Production Sound Mixer	08/2011 – 02/2012 Fairbanks, AK
<i>The Messenger (Feature Film-Narrative)</i> Kade Mendelowitz, Director <ul style="list-style-type: none">• Production Sound Mixer/ Boom Operator/Foley Artist	08/2011 – 02/2012 Fairbanks, AK
<i>Phoenix Film Festival 10th Anniversary (Documentary Series)</i> University of Advancing Technology <ul style="list-style-type: none">• Production Sound Mixer/ Cinematographer/Editor	08/2009 – 01/2010 Tempe, AZ

Post Production Sound Experience

<i>The Come Back Mile (Short – Documentary)</i> University of Alaska Fairbanks <ul style="list-style-type: none">• Sound Editor/Production Sound Mixer	01/2013 – 05/2013 Fairbanks, AK
<i>Janitor Life (Short - Documentary)</i> University of Alaska Fairbanks <ul style="list-style-type: none">• Sound Editor/Production Sound Mixer	01/2012 – 05/2012 Fairbanks, AK
<i>South by Southwest Film Festival</i> Volunteer <ul style="list-style-type: none">• Editor/ Audio Engineer	02/2011 – 03/2011 Austin, TX
<i>Fleurs du mal (Radio - Drama)</i> University of Advancing Technology <ul style="list-style-type: none">• Sound Mixer/ Sound Editor	01/2009 – 05/2009 Tempe, AZ
<i>Test Anxiety (Short - Animation)</i> University of Advancing Technology <ul style="list-style-type: none">• Sound Designer/Sound Mixer	01/2009 – 05/2009 Tempe, AZ

Scene Recreation (Class Assignment) University of Advancing Technology	05/2009 – 08/2009 Tempe, AZ
• Sound Editor / Sound Mixer	
LASA Robotics Sponsor Me Video Liberal Arts and Science Academy Robotics Team	09/2004 – 12/2004 Austin, TX
• Sound Editor/ Sound Mixer	

Production Experience

67th Annual GCI Open North American Sled Dog Championship Murrow Media	03/2013 – 09/2013 Fairbanks, AK
• Production Assistant	
Doomsday Preppers (Season 2, Episode 14) Sharp Entertainment for National Geographic Channel	09/2012 – 09/2012 Delta & Fairbanks, AK
• Production Assistant	

Video Game Sound Experience

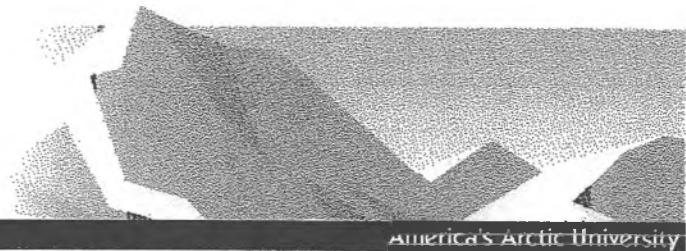
Social Minor (Video Game) Department of Defense	08/2010 – 12/2010 Tempe, AZ
• Audio Engineer/ Sound Designer	
Cyber Hero (Video Game) Department of Defense	08/2010 – 12/2010 Tempe, AZ
• Audio Engineer/ Sound Designer/ Sound Editor	

Work Experience

Transfer Engineer/Runner Sound Reservoir	06/2013 – 08/2013 Sydney, Australia
Job responsibilities include: Taking care of and supervising clientele, maintaining studios, basic sound editing, maintaining and organizing equipment, setting up ISDNs, recording Atmos and Foley, basic sound design and effects editing, transfer and organization of files from database through to different studios.	
Camera Operator/ Production Staff S.M.G (Carlson Center)	05/2012 - Current Fairbanks, AK
Record content for broadcast ranging from, hockey, mix martial arts, roller derby, basketball, concerts, and WWE. Knowledge of broadcast cameras and SSL soundboards.	
Camera Operator University of Alaska Fairbanks Media Relations	08/2012 – Current Fairbanks, AK
Record content for broadcast such as university sports games and events. Sports ranging from basketball, swimming, volleyball and more. Knowledge of broadcast cameras and SSL soundboards.	
Intern Agency 49	05/2012 – 12/2012 Fairbanks, AK
Job responsibilities include: lighting, camera operating, sound, video and audio editing, general PA responsibilities.	

Education

05/2011 – 05/2014	University of Alaska Pursuing Bachelor of Arts in Film Production Minor in Japanese	Fairbanks, AK
08/2008 – 05/2010	University of Advancing Technology Pursued Bachelor of Arts in Digital Video	Tempe, AZ



Alaska State Legislature
House Finance Committee

March 04, 2014

Honorable Representatives:

House Bill 112 has been proposed to eliminate the Film Tax Incentive Program in the state of Alaska. As the academic director of the Film Program at the University of Alaska Fairbanks, I would like to provide you with what the film tax incentive program means to our students: it means JOBS! These are jobs that are creative, interesting, diverse, and technical, and they put Alaska in the spotlight.

Since 2008, film courses at UAF have seen a 67% enrollment increase. The UAF department of Theatre and Film has *doubled* the number of majors and degree recipients a year due to the film degree program. We have attracted grant money to the program by partnering with scientists, engineers, and educators to create multi-media content about Alaska from a variety of perspectives, and we have also engaged in public/private partnerships on larger film projects. We are nearly at enrollment capacity and have more opportunities than we have time to pursue. Our program is on the map for film production in Alaska, largely because we have a trained workforce and an active track record in the industry.

This past summer we inaugurated the Film Reel Alaska Mentorship Experience and partnered film industry professionals with UAF students. 46% of the enrolled students were active students at UAF. Another 39% of the students were post-baccalaureate, non-degree seeking, or graduate students interested in new career opportunities. 14% of our students were high school students earning college credit during their summer break. 50% of all the students in our training program received paid positions within six months or less.

Should the film tax incentive program disappear this year, the tax dollars wasted will include the time and energy spent in developing, creating, and preparing for the growth of this industry. It will include the wasted resource of trained Alaskans ready to work in this business, and we will certainly lose momentum and traction we have gained towards creating more jobs. When the jobs go away, so will those that are eager to work in this dynamic and diverse business.

Capacity building takes time. It takes investment. It takes vision. The film tax incentives are providing a means to get our voices heard and stories seen to a wider audience than ever before, and Alaskans deserve the attention.

Sincerely,

Maya Salganek
Director, Film Program, University of Alaska Fairbanks
maya@alaska.edu. (907) 474-5950

Darrell Breese

From: Katherine Johnston <katievanderwege@yahoo.com>
Sent: Tuesday, March 04, 2014 4:32 PM
To: Rep. Bill Stoltze
Subject: HB112 and HB306

210
Johnson

Hello Respected Rep. Stoltze,

I am writing you today to urge you to vote no on HB112 and remove section 12 from HB306.

The Alaska State Film Tax Incentive is important. It is important because of the positive impact it has on Alaska businesses, because it provides jobs that would otherwise be sent out of state and it keeps families here in the state that they love.

I know you have all of the facts and figures, but I'd like to put a face on why the film tax incentive is important. My husband is a filmmaker. It has been his passion since he was eight years old. In order for him to complete his education and receive a Master's Degree we had to leave Alaska and thought we might never be able to return if he wanted to work in the industry that he worked so hard to get into. We were able to return home to our beloved Alaska when the Film Tax Incentive was enacted. Alaska is our home. It's where we want to raise our family, it's where we own property and where we pay our taxes. It is where I work for a non-profit advocating for Alaskans who experience developmental and intellectual disabilities.

Please vote against HB112 and HB306 and keep Alaska's filmmakers at home, generating revenue for this great state.

I would be more than happy to provide you with any information or answer any questions you may have about our story. I sincerely appreciate your time, consideration and dedication to the great State of Alaska.

Kind Regards,
Katherine Johnston
1926 Stonegate Cir.
Anchorage, AK 99515
907-690-0609



DK Johnston
23 R
Lynn
4 MARCH 2014

HB112

To Members of the House Finance Committee

My name is D.K. Johnston and I am a full time Assistant Director, Producer, and Production Manager here in Alaska. I am a graduate of the UAA Journalism Program and have an MFA in Film Production from the New York Film Academy. With the exception of a brief stay in LA for school I have been a resident of Alaska since 1997. I am the owner and operator of Tri-Seven Pictures and founder of the Alaska Filmmakers website and social network. I have been working full time in the Alaska Film Industry since 2010, an industry built upon Alaska's Film Production Incentive Program.

I am writing to express my disapproval of HB112 and its goal to eliminate the Alaska Film Production Incentive Program. Since last year's introduction of HB112 the Alaska Film Community has seen more training, more development, more jobs and investments in the State of Alaska. However, the introduction of this bill was a stumble in that development process, and we continue to delay Alaska's opportunity to grow in this highly competitive industry.

When the community learned that this bill was once again going to be debated I had only one question. Why? This community has worked hard to educate and discuss the numerous benefits of the program. We've worked with the state to modify the incentives to increase Alaskan jobs and bring money into the state's economy. Our community has worked hard to promote the state and all the resources it has to offer. We have cooperated and worked hand-in-hand with the state. If there is some aspect of this field we have yet to touch on or explain in detail I encourage you to ask our community questions. I assure you that you will find a wealth of information within our ranks that can explain every aspect of this industry from top to bottom. We are not Hollywood. We are Alaska's storytellers and we want to work and play in our own backyard. I urge you to vote against this bill, and let us get back to work

Sincerely,

D.K. Johnston
Owner, Tri-Seven Pictures
Anchorage, Alaska
907-440-2641
dk.trisevenpictures@gmail.com

Darrell Breese

From: Goodrum, Brent W (DNR) <brent.goodrum@alaska.gov>
Sent: Monday, March 03, 2014 9:03 PM
To: Lapiene
Cc: Fogels, Edmund J (DNR); Rep. Bill Stoltze; Rep. Mark Neuman; Sen. Charlie Huggins; Menefee, Wyn (DNR)
Subject: Re: Off road reality show being filmed in Alaska

Scott,

Thank you for your communication below. The Division of Mining, Land and Water agrees that it will not be advantageous to have a reality TV program that shows people violating the law on state lands and potentially providing encouragement to the public implying that this is accepted behavior. However, filming could be done in a way that displays outdoor adventure without damaging the land and violating regulations. We have been communicating with this group in an attempt to figure out what they are wanting to do. We will work to find out if there is a way to appropriately permit them as we always try to find a way to authorize companies for an appropriate use of state land. However, that does not mean at the expense of our valuable natural resources.

Keep in mind that Generally Allowed Uses (11 AAC 96.020) allow access using a highway vehicle with a curb weight of up to 10,000 pounds, including a pickup truck and four-wheel-drive vehicle, on or off an established road easement, if the use off the road easement does not cause or contribute to water quality degradation, alteration of drainage systems, significant rutting, ground disturbance, or thermal erosion; or using a recreational-type off-road or all-terrain vehicle with a curb weight of up to 1,500 pounds, including a snowmobile and four-wheeler, on or off an established road easement if use off the road easement does not cause or contribute to water quality degradation, alteration of drainage systems, significant rutting, ground disturbance, or thermal erosion.

A generally allowed use listed in 11 AAC 96.020 is subject to the following conditions:

- (1) activities employing wheeled or tracked vehicles must be conducted in a manner that minimizes surface damage;
- (2) vehicles must use existing roads and trails whenever possible;
- (3) activities must be conducted in a manner that minimizes
 - (A) disturbance of vegetation, soil stability, or drainage systems;
 - (B) changing the character of, polluting, or introducing silt and sediment into streams, lakes, ponds, water holes, seeps, and marshes; and
 - (C) disturbance of fish and wildlife resources;
- (4) cuts, fills, and other activities causing a disturbance listed in (3)(A) - (C) of this section must be repaired immediately, and corrective action must be undertaken as may be required by the department;

Uses beyond those generally allowed or for commercial recreation facility that remains overnight require either permit or commercial recreation day use registration. This use is likely considered commercial recreation use.

We are aware of their trip to the Knik Glacier as a scouting trip and are in discussions with them on that. We could potentially authorize other uses under a commercial recreation permit or a miscellaneous land use permit. At this point we simply do not have enough information to understand just what they want to do. Furthermore, they need to clarify to us the specific locations of where they intend to go to determine if they are even on state land for their anticipated activities.

Thanks again for sharing of this information and your concern. I appreciate your input. If you have any further information or questions please do not hesitate to contact me again.

Very Respectfully,

Brent Goodrum
Director, DMLW

On Mar 3, 2014, at 11:18 AM, "Lapiene" <lapiene@usa.net> wrote:

Mr Goodrum,

I am concerned about the negative impressions that will result from the current effort to film a off road reality show here in Alaska. They began filming this past weekend.

I have first hand experience with this company when they filmed a Black Gold show on Doyon 19 while drilling in NPRA. The producers clearly state that they are interested in drama. When there is no drama they create it thru editing and narration.

Many in the off road community are opposed to this project. In fact not one person has responded in support of the project on the state's most popular 4x4 forum, www.alaska4x4network.com. The discussion concerning this topic is open to members only so I have included members responses at the end of this email.

It is a lot to read. By including them I hope you will get a very good understanding of our concerns. Basically we believe that nothing good can come from this show. It will portray off road recreation as reckless with no regard for the environment. That is the exact opposite of what we believe and practice. We are concerned that groups opposed to motorized recreation will use footage from the show to get more trails closed.

It took our organization over six months to get a ML&W permit to make one repair to a trail this tv show wants to use. The project is costing us \$40,000 to repair 160' of trail. In addition we have to post a bond for five years. This reality show has the potential to damage many more trails, requiring large sums of money to repair the impacts.

If this tv series is allowed to proceed the producers must be held to the very highest standards of Tread Lightly principles. The producers should be required to obtain permits for each trail used and post bonds to repair any impact caused by their activities.

I would also like to suggest that the DNR require a State employee be present whenever the tv crew is in the field. Someone who can document the before and after condition of the trails used.

The following is a letter from the producers

I'm doing research for a new History Channel series. We will have several teams of Alaska's most hardcore Off Road adventurers take on the most challenging and diverse trails that Alaska has to offer, and push themselves and their trucks to the absolute limit. This extreme expedition will take us across America's final frontier, from the Northern shores of Prudhoe Bay all the way to the far south, the grizzly bear capital of the world, Kodiak Island.

We are planning to film from approximately end of May for 6 weeks with Off-Road vehicles with experienced off road drivers and with a support staff with production vehicles. The areas that we are interested in being granted permission for filming are some of the most famous trails that Alaska has to offer. We are looking to start near Deadhorse, Alaska and travel south on the Trans Alaskan Highway towards Fairbanks, then to Anchorage and finally heading south and taking a barge to Homer, Alaska.

The trails may include Knik Glacier Run, Brooks Range Trail, Eureka Trails, Stampede Trail, Fairbanks Circle, Rainbow Mountain, Purches Creek, Fish Lake, Homer Trail and Kodiak Island. In addition, we are interested in trails around Boulder Creek area and the 55 Mile Trail near Fairbanks. Therefore, we would like permission to be on your land area to film and to do the off-roading we need to do for this show. Plus, being granted camping and event permission. We'd like to know what is the procedure for this approval and what do we need to do next.

Thank you for your valuable assistance, guidance and insight to obtaining all necessary approvals, permits necessary to be a positive experience for all concern. I can be reached at 818-295-6966 ext 4123 or cell at 818-378-4439. I look forward to working with you on this request.

Best Regards,
David

David Scoot Jones
OP Researcher

Original Productions, LLC
308 W. Verdugo Ave.
Burbank, CA 91502 USA
O: 818-295-6966 ext. 4123
F: 818-688-3292
M: 818-378-4439
E: djones@origprod.com

Response from the OHV community

I agree with you though. We REALLY don't need this. This kind of exposure is just what will end up ruining our way of life. Too many stupid people will think its cool. Next thing you know, all our trails are inundated with irresponsible, uneducated, and unprepared morons who tear everything up and get hurt. Game over.

Heard about this Wednesday, same conclusion. 1. Whoever participates will be made to look like fools 2. It will reflect poorly on the off road community. 3. Participants will probably end up babysitting a film crew etc.

I have spoken with this group a few months ago about this series . I really didn't think it was going to evolve into anything . I have spoken with these guys about there expectations and how they want to portrait our sport . The bottom line is they want drama . I have great fears on how the off-road community will be seen by the masses . If this takes place we should get involved and try and see that they are abiding by the rules and not destroying the trails . I have not and will not commit to anything that will make us out to be a bad element .

I am not happy this is taking place anymore than most of you guys . But if this does take place , a few key guys need to get involved and steer this in a positive direction .

I think if we ignore this situation we will be very upset at ourselves that we sat around and did nothing .

Scott as Gary knows I was planning on calling you this weekend , Gary and I spoke Wednesday and I expressed my concerns to him . In the end guys my biggest concern is our community and how we are seen . I have nothing to gain here guys by being involved , in fact I have a lot to loose if people don't want to deal with me or avoid me due to my involvement . So guys my question is do we have a choice? Do we sit back and let these guys wing it or do we get involved and try and make this out to be as positive as we can . I have more info on what kind of rigs they would like and what the general idea of the show is .

Ed, very well put. I never talked with them so this is all the detail that I have. It's 'reality' tv and from what I've seen it's not about promoting positive images. The way I see it there are a couple options, make sure they post bonds big enough to repair any physical damage or shut it down. The event will require permits from DNR. They have already approached the MSB. This outfit was here a few years ago and asked the MSB for permission to use their land and the Boro said no.

I have a very hard time seeing this doing anything positive for the sport. Even if tread lightly members were driving every rig. I try my best but sometimes I bend the rules. The show will show that stuff over and over. Everyone can imagine what drama looks like in this sport, getting stuck, as in buried, breakage, lost tempers, throwing tools.

This same outfit went to Doyon 19 one winter when it was drilling way out in NPRA. There was no drama so they made it up. Most of us wanting to explore for oil on the tundra didn't see the show as helping our cause.

Drama sells otherwise it would be a PBS show.

I seriously hope this does not happen. It could be extremely detrimental to our sport and land access. Let me know if there is anything I can do to help. Can we petition to keep

them from doing the shoot? I suppose the state just wants money and isn't concerned about image....

There has already been quite a few who have talked to Original Productions about this. Some have already done interviews and have been filmed along with adding their perspectives regarding logistics, environmental concerns, and ethics.

At this point it is safe to say that there is no clear idea of what this "show" will be about, how it will be done, or who exactly will be involved and on what levels. Original Productions is being very elusive as to what and how they are giving out info and are way behind logistically with how this will happen.

Caution and a proactive approach is very much needed in dealing with this. I strongly recommend that more Alaskans start asking questions and make known their concerns and ideas instead of sitting back and allowing others who may not have the best of intentions dictate the producing of a show like this.

An Ultimate Adventure, or Camel Trophy style endeavor that educates and honestly portrays traveling off-highway may be able to be done and showed to the masses in a responsible and non dramatic way. But it will take direction and oversight to be done in a way that is beneficial to all.

I thought the show axe men was pretty real until I started working part time for a crew in Wa. Then I realized how made up 90% of the show was. No respectable company would hire a new guy, give him a saw, screw off most the day, trash equipment and still have a job. Safety is paramount on the job site whether your on the side of the mtn or on a flat landing. After working with the crews, the things I saw in the show blew my mind. It really gave bad image to the public on the loggers who made a living in that profession. It made them out to be hot tempered, wreckless and stupid people who cared not for the environment.

I did a bit of Googling and they are I guess the folks responsible for many of the "reality" shows.

Ice Road Truckers, Axe Men, etc

<http://origprod.com/shows/>

Not sure if any of you guys have watched those shows recently but they are getting just a bit ridiculous.

If the show was more of a PBS or hunting/fishing type show I don't think it would be bad. Filming some guys on trail runs enjoying Alaska, showing the scenery and wildlife, maybe some history of the area, etc... You know... the reason that we get out in the woods.

I have a feeling (and I think most everyone else does) that it will be more Top Gear style... more or less promoting the thoughts that going off road means a free for all. Destroying trucks & trail.

Scott/Ed- If these guys really want to come to Kodiak for this, please let me know. As much as I'd rather not, I'd rather be involved in this and try to control it than let some of the other "elements" here run wild with stupidity.

I like to see all the people saying they are want/going to be involved to help control this. Being involved does not mean you will have any control. 95% of wheeling is just driving and riding bumps and that is not going to make good ratings on TV. They will do everything they can to make drama and the highlights will be all the "tearing up" the trails. Being involved is just meaning being part of the problem.

I had contact when they first posted about this with Susan. We talked a couple of time and when I expressed concern about the way all reality shows portray the people and places they film, and how I was not going to be involved with it if it was going to turn into that. I have not heard back from them in months. I guess the plan is to back you look the fool tearing up the Alaskan wilderness.

I would like to be part of it if it was going to portrayed in a good sense, but anyone that watches TV can see what sells it is not going to be us driving on the trails showing our wilderness.

Look at *Gold Rush* they dig dirt and wash dirt looking for gold, right. There is very little of that it is more the drama and if there is none they make some.

Exactly why I'd rather not have anything to do with it. I really hope this doesn't come to fruition.

I'll bet a dollar to your dime that once this airs it will bring more unwanted scrutiny and trail closures.

They were out with us at knik yesterday filming one of the "teams" The guys were cool, but I didn't get a good vibe with all of the scripted questions they were asking.

Thank you for your time. I would like to hear your opinions and discuss our concerns either in person or over the phone.

Scott Lapiene
Mat-Su Trails Council Inc
907-373-7568 hm
907-351-5534 cell
lapiene@usa.net



THE STATE
of ALASKA
GOVERNOR SEAN PARNELL

Department of Revenue

COMMISSIONER'S OFFICE
Angela Rodell, Commissioner

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March 7, 2014

Representative Bill Stoltze
State Capitol Room 515
Juneau, AK 99801

Dear Representative Stoltze,

This letter is in response to the March 6th, 2014 email from your office regarding questions from House Finance on HB112 Film Credit. For ease of reference, and to ensure we have answered all questions raised, we have included excerpts from Joe Michel's email with our responses detailed below:

Attached are two documents regarding the first round of questions the House Finance Committee had regarding HB112.

The first is a document that I can't find online outlining all the projects up through 2012. I would like to have an updated sheet on that reflecting the same information through 2013.

Under the authority of Alaska Statute 43.05.230 it is unlawful to divulge the particulars set out or discussed in any report or return made under this title, without a statutory exception. Therefore, because of the confidentiality rules that are in place for the Department of Revenue (Revenue), information obtained through the Alaska Film Office is considered confidential and will not be disclosed; unless in aggregate. In addition, AS 44.25.130(c) states that information submitted in an application for qualification is confidential and is not subject to inspection or copying under AS 40.25.110 - 40.25.125.

The one exception is noted in AS 43.98.030(a) which is amended to read: The department shall publish the name and contact information for each person (film producer) provided a transferable tax credit certificate. The department will publish the producer's name and contact information as a credit certificate is awarded. As of March 6, 2014, no final film tax credits have been awarded wholly under the new program.

The former film production incentive program was under the Department of Commerce, Community and Economic Development (Commerce) through June 30, 2013 and the former film office did not have any statutory limitations in publishing information obtained; therefore they were able to make everything public.
<http://film.alaska.gov/reports/>

The second attachment is a checklist of required items that should be in the report to the legislature for 2014. Some of the required items are not found in the report. I understand that the calendar year for the attachment begins 7/1/13 so we don't have a full year to report but there were questions from the committee that normally would have been reported. The document does not have a date on it so I don't know when the #'s from the document were produced.

Under Sec. 44.25.105 (a) the film office shall make available to the legislature, within 30 days after the start of each session, a report of the activities conducted by the film office under AS 44.25.100 – AS 44.25.190 and dictated in paragraphs 1 – 11 of this section. The film office was moved to Revenue effective July 1, 2013 and the film office reported on each statutory subsection as required. As a department standard, the annual report information is reported by fiscal year but due to the film office having nothing to report because of the July 1, 2013 effective date to Revenue, the film office provided calendar year data as well. Commerce included all of the data from fiscal year 2013 in its annual report. The film office calendar year-end data will have the same results regardless of what date the report is prepared (assuming the preparation date is after the year-end). The film office prepared the annual report (after December 31, 2013) that was due to the legislature by February 19, 2014 and included the information that Revenue was able to collect.

To the extent available the committee would like the current list of all approved projects. (\$60 million of pre-approved projects)

As previously outlined, the former film production incentive program was under Commerce through June 30, 2013 and the former film office did not have any statutory limitations in publishing information obtained, therefore they made everything public on their website. Commerce has reported a total of \$86 million in estimated credits to productions applying for qualification (pre-approved) through June 30, 2013.

In order to estimate the amount of film tax credits that were qualified (pre-approved) under Commerce but will later receive a film tax credit under Revenue, please subtract the total amount of final tax credits awarded (\$38 million) from the total amount of all pre-approved projects (\$86 million). The remaining balance is approximately \$48 million. This only applies to projects that qualified under Commerce but will later be awarded a tax credit under Revenue.

The new film office under Revenue has pre-approved an additional \$8 million in estimated credits between July 1, 2013 and December 31, 2013. If this amount is included with the \$48 million pre-approved and pending final tax credits, the total combined balance (Commerce and Revenue) is \$56 million.

Current list of Credits approved by the Alaska Film Office (see attached report from 2/12/13) (\$40 million)

The former film production incentive program operated under Commerce through June 30, 2013 and the former film office did not have any statutory limitations in publishing information obtained, therefore they made everything public on their website at film.alaska.gov/reports. Commerce has reported a total of \$38 million in final tax credits awarded to the productions through June 30, 2013.

The new film office under Revenue has awarded an additional \$4 million in final tax credits between July 1, 2013 and December 31, 2013. These tax credits were qualified (pre-approved) under Commerce but awarded under Revenue. If this amount is included with the \$38 million awarded in final tax credits, the total combined balance (Commerce and Revenue) is \$42 million. As of March 6, 2014, no final film tax credits have been wholly awarded (pre-approved and issued) under the new program.

Can we get any idea of the breakdown of the Tax Credits?

Now that out of state above the line worker credit is 5%, what % of credits is now going to out of State above the line workers? Before 2013 the credit was 30% regardless above or below the line and the ratio of out of state to instate was 5:1.

Revenue has not yet awarded any final tax credits for productions that qualified under AS 44.25.120. It is important to remember that the productions that qualify under the new program effective July 1, 2013 have 36 months to incur expenses and apply for a final tax credit.


Gara question: What if any taxes has the Dept. of Revenue collected from actual receivers of the Film production tax credit. If most of the credit recipients are LLC's then please explain.

As of March 6, 2014, Revenue has issued 85 film tax credits. The production companies/producers who received the tax credits are almost exclusively structured as partnerships, LLCs or S-corporations. These entity types do not have tax liabilities in the state because the state only taxes C-corporations on net income. If we had an individual income tax structure in the state, these entities would owe tax. Partnerships, LLCs treated as partnerships and S-corporations are all pass-through entities, meaning the income earned "passes through" to its owners individually and the tax is owed at that individual income tax level.

We have identified approximately 10% of the 85 film tax credits issued as production companies/producers who are incorporated as C-corporations and who received a film tax credit. Some of these are non-profits, some are correctly paying a tax (less than \$8000) and two corporations could potentially owe a tax to the state, however we do not expect their tax returns until late in 2014, for the 2013 tax year.

The state corporate net income tax is based on apportionment (sales, payroll and property). Because the film producers/production companies have such a minimal presence in Alaska, their apportionment factor would be small. The bottom line is that the amount of tax collected from the production companies/producers is de minimus.

Sincerely,


Angela Rodell
Commissioner



Program Comparison:

	Current Program	Revised Program
Effective Dates:	Sept. 2, 2008 to June 30, 2013	July 1, 2013 thru June 30, 2023
	(Projects Qualified before 7/1/13 remain under current program provisions)	
Eligible Project Types:	Broadly defined: Film (feature and documentary), Television, and Commercials	
Incentive Type:	Transferable Tax Credit	Transferable/Refundable Tax Credit (buy-back at 75% - subject to appropriation)
Total Tax Credits Available:	\$100 million (thru 6/30/13)	\$200 million (7/1/13 thru 6/30/23)
Tax Credit "Lifespan":	3 years from date of issue	6 years from date of issue
Application Fee:	None	0.2% of estimated qualified expenditures (\$200 minimum \$5,000 maximum)
End Credit Acknowledgement:	Requested	Required: "Filmed in Alaska with the Support of the State of Alaska"
Base Rate: (Alaska Ground Spend)	30%	30%
Alaska Resident Wages: (ATL & BTL)	+ 10% (40% total)	+ 20% (50% total)
non-Resident ATL Compensation:	30%	5% (+ dollar amount equivalent to 50% of Alaska Resident Wages)
non-Resident BTL Compensation:	30%	30%
Rural Filming: (Rural Community Definition)	+ 2% (Population 5,500 or less 1,500 if on road system)	+ 6% (Population 10,000 or less 1,500 if on road system)
Off Season Filming: (Oct. 1 thru March 30)	+ 2%	+ 2%
Special Credit:	n/a	+ 6% for the first scripted episodic TV series completed (16 episodes required)
Project Cap:	None	None
Personnel Cap:	None	None
Minimum Spend:	\$100,000	\$75,000
Qualification Period:	24-months	36-months
Expense Verification:	Required - Independent Alaska-licensed CPA (at production's expense)	



Alaska Film Office Reports

Public Information about the Alaska Film Office and Alaska's Film Production Incentive Program.

Annual Report	Qualified Projects	Approved Tax Credits
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Alaska's Film Production Incentive Program Tax Credit Approval Information

Credits Approved by the Alaska Film Office (as of 12/19/12):

Project #	Company	Production	Type	FY13 Approved Tax Credits			PDF Info
				Tax Credit \$	Approval Date	Eligible Spend	
13-009	Original Productions, LLC	Ice Road Truckers (season 6)	NFTV	\$419,124.99	12/19/12	\$1,255,028	33.40% PDF
13-008	Helping Hands, LLC	Bristol Palin: Life's a Tripp	NFTV	\$354,348.50	12/6/12	\$995,276	35.60% PDF
13-007	Teton Gravity Research	The Dream Factory	FF	\$148,010.03	12/3/12	\$478,276	30.95% PDF
13-006	Original Productions, LLC	Deadliest Catch (season 8)	NFTV	\$690,881.90	11/28/12	\$2,037,093	33.92% PDF
13-005	Iditarod Trail Committee	40: The 2012 Iditarod Race Documentary	Doc	\$75,557.24	11/19/12	\$222,670	33.93% PDF
13-004	Original Productions, LLC	Bering Sea Gold Rush (season 1)	NFTV	\$322,732.49	10/1/12	\$984,157	32.79% PDF
13-003	Standard Films	2112	FF	\$44,100.27	9/24/12	\$146,340	30.14% PDF
13-002	Cretaceous Films, LLC	Walking With Dinosaurs - 3D	FF	\$1,666,271.15	8/24/12	\$5,209,495	31.99% PDF
13-001	Georgia Film Fund Five, LLC	The Frozen Ground	FF	\$6,257,139.45	7/17/12	\$19,200,749	32.59% PDF
FY13 Tax Credits Approved:				\$9,978,166.02	Spend: \$30,529,084		32.68%

Project #	Company	Production	Type	FY12 Approved Tax Credits			PDF Info
				Tax Credit \$	Approval Date	Eligible Spend	

12-022	PSG Motion Pictures	Alaska State Troopers (season 3)	NFTV	\$79,416.78	6/13/12	\$254,775	31.17% PDF
12-021	Brain Farm Cinema	Art of Flight	FF	\$87,057.01	5/22/12	\$289,917	30.03% PDF
12-020	Red Rock Films	Wild Alaska	Doc	\$38,811.61	5/7/12	\$124,002	31.30% PDF
12-019	Original Productions	Ax Men (season 4)	NFTV	\$104,516.05	4/13/12	\$329,677	31.70% PDF
12-018	Discovery Studios	Homer: Before the Freeze	NFTV	\$106,217.22	3/6/12	\$331,916	32.00% PDF
12-017	Thinkfactory Media Inc.	Mounted (season 1)	NFTV	\$292,381.44	3/1/12	\$922,496	31.69% PDF
12-016	API Arts & Outreach	Icebound	Doc	\$86,209.74	2/28/12	\$243,501	35.40% PDF
12-015	Icebreaker Films	Big Miracle (aka Everybody Loves Whales)	FF	\$9,635,706.35	2/2/12	\$29,469,665	32.70% PDF
12-014	St. Thomas Productions	Ice Jumpers	Doc	\$71,624.40	2/1/12	\$238,748	30.00% PDF
12-013	Iditarod Trail Committee	Iditarod 2011: Dream Chaser	Doc	\$72,568.03	1/13/12	\$214,788	33.79% PDF
12-012	Original Productions	Ice Road Truckers (season 5)	NF-TV	\$491,771.71	12/27/11	\$1,392,025	35.33% PDF
12-011	Original Productions	Deadliest Catch (season 7)	NF-TV	\$786,441.45	12/12/11	\$2,322,117	33.87% PDF
12-010	Stardust Brands	American Eagle Outfitters	Comm	\$46,752.44	11/28/11	\$152,692	30.62% PDF
12-009	Kid Play Entertainment	Young World Sleuths - Baby Geniuses 5	FF	\$1,871,717.79	10/31/11	\$5,743,823	32.59% PDF
12-008	Kid Play Entertainment	Tiny Detectives - Baby Geniuses 4	FF	\$1,888,885.25	10/5/11	\$5,815,858	32.48% PDF
12-007	Teton Gravity Research	One for the Road	FF	\$48,243.84	10/4/11	\$160,322	30.09% PDF
12-006	Bongo, LLC	Flying Wild Alaska (season 1)	NF-TV	\$398,917.43	8/24/11	\$1,182,247	33.74% PDF
12-005	Original Productions	Hillstranded	NF-TV	\$53,437.34	8/23/11	\$175,681	30.42% PDF
12-	Wildlife HD	Alaska BluRay	Doc	\$217,472.92	8/18/11	\$712,347	30.53% PDF

004		Collection						
12-003	PSG Motion Pictures	Alaska State Troopers (season 2)	NF-TV	\$93,273.73	8/8/11	\$304,877	30.59%	PDF
12-002b	Kid Play	Playkids -		\$1,802,661.01	8/4/11			PDF
12-002a	Entertainment	Baby Geniuses 3	FF	\$250,683.75	7/14/11	\$6,737,717	30.47%	PDF
12-001	ZONK! Productions	NAPA's North to Alaska	NF-TV	\$91,079.84	7/11/11	\$271,269	33.58%	PDF
FY12 Tax Credits Approved: \$18,615,847.14				Spend: \$57,390,460		32.44%		

FY11 Approved Tax Credits

Project #	Company	Production	Type	Tax Credit \$	Approval Date	Eligible Spend	Credit /Spend	PDF Info
11-007	Pontecorvo Productions, LLC	Bears of the Last Frontier	Doc	\$112,463.10	05/02/11	\$363,950	30.90%	PDF
11-006	Arctic Film Group, LLC	Untitled Arctic Project	FF	\$50,492.96	4/26/11	\$150,865	33.47%	PDF
11-005	BBC - Natural History unit	Frozen Planet	Doc	\$75,029.00	4/13/11	\$234,522	31.99%	PDF
11-004	Christmas with a Capital C, LLC	Christmas with a Capital C	FF	\$111,689.86	3/2/11	\$333,876	33.45%	PDF
11-003	Teton Gravity Research	Light the Wick	FF	\$51,829.41	2/17/11	\$166,245	31.18%	PDF
11-002	Jean Worldwide	Sarah Palin's Alaska	NF-TV	\$1,196,894.27	2/11/11	\$3,609,888	33.16%	PDF
11-001	Sun Never Sets Productions	Top Gear (1 episode "Alaska Tough Truck")	NF-TV	\$81,003.46	1/13/11	\$260,798	31.06%	PDF
10-010	Beyond Indigo Productions	Beyond Indigo (aka Ghost Vision)	FF	\$2,140,413.00	12/22/10	\$6,602,752	32.42%	PDF
10-009	Original Productions	Ice Road Truckers (season 4)	NF-TV	\$898,203.93	12/17/10	\$2,692,293	33.36%	PDF
10-008	PSG Motion Pictures	Alaska State Troopers (season 1)	NF-TV	\$30,709.30	12/8/10	\$100,676	30.50%	PDF
10-007	Original Productions	Deadliest Catch (season 6)	NF-TV	\$584,562.74	11/22/10	\$1,747,695	33.45%	PDF
10-006	Rainy Pass Productions	R5 Sons (season 1)	NF-TV	\$150,442.19	11/12/10	\$417,743	36.01%	PDF
10-005	On the Ice	On the Ice	FF	\$171,145.61	10/1/10	\$524,628	32.62%	PDF

10-004	Diverse Bristol	Man vs. Wild (1 episode "The Last Frontier")	NF-TV	\$67,994.04	10/4/10	\$223,143	30.47% PDF
10-003	Original Productions	Ice Road Truckers (season 3)	NF-TV	\$393,423.75	9/27/10	\$1,187,933	33.12% PDF
10-002	Affinityfilms	Survive to Thrive	Doc	\$39,693.41	8/4/10	\$109,217	36.34% PDF
10-001	Rabbit Content	Prilosec: Fairbanks Project	Comm	\$107,277.35	7/9/10	\$326,664	32.84% PDF

FY11 Tax Credits Approved: \$6,263,267.38 Spend: \$19,052,887 32.87%

FY10 Approved Tax Credits

Project #	Company	Production	Type	Tax Credit \$	Approval Date	Eligible Spend	PDF Credit /Spend Info
09-004	Proposal Productions	The Proposal	FF	\$64,894.93	11/27/09	\$179,407	36.17% PDF
09-003	The Ascending Path	Disaster on K2	Doc	\$46,009.45	10/28/09	\$122,153	37.67% PDF
09-002	Kaos Entertainment	Grizzly Land	Doc	\$54,138.08	10/21/09	\$178,394	30.35% PDF
09-001	Moore Huntley Productions	Alaska: Most Extreme	NF-TV	\$79,504.07	9/11/09	\$233,737	34.01% PDF

FY10 Tax Credits Approved: \$244,546.53 Spend: \$744,955 32.83%

Total Tax Credits Approved (to date): \$35,101,827.07 Spend: \$107,717,385 32.59%

Legend: NF-TV = Non-Fiction Television | FF = Feature Film | Comm = Commercial | Doc = Documentary

(Note: the "PDF Info" is the publicly available information from the production's Tax Credit Application form.)

Other Questions?

Contact the Alaska Film Office: Call (907) 269-8190 or e-mail AlaskaFilm@alaska.gov

Alaska

not just another pretty place!

Alaska Film Office - 550 W. 7th Avenue, Suite 1770, Anchorage, Alaska 99501 | Phone: 907-269-8190
| Fax: 907-269-8147 | E-Mail the Alaska Film Office

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MIRROR STUDIOS

April 2, 2013

Thank you Mr. Chairman and members of the committee. My name is Charlie Hewitt. For the record, I am a Republican and owner/operator of Mirror Studios. We've been operating in Alaska for over 20 years. Mirror Studios is a Recording/Post Production studio in Anchorage. As a point of reference, Post Production is the process that takes place long after all the excitement dies down. Long after all the lights and cameras are packed away. That's when we go to work. Composing and editing music, SFX, and dialog.

I wanted to talk briefly about an additional revenue stream that this committee may not be aware of. This is yet another direct by-product of the Film Incentives bill. When a production is in state working, during the filming portion, many of the actors are needed for this Post Production process that I referred to earlier, on other projects that they're currently involved with, elsewhere in the world. For example, during the filming of Big Miracle and The Frozen Ground we had numerous folks coming through the studio working on other feature films and TV shows, such as Burlesque, Gossip Girls, and The Mentalist just to name a few. These are additional and not insignificant dollars that came into the state, as a direct result of the Film Incentives yet did not cost the state a dime.

On another note, upon passing this legislation last year and signing the film incentives bill into law, I, subsequently, as a business owner, expended significant dollars in infrastructure and equipment upgrades to bring our facility up to industry standards in anticipation of the upcoming work flow.

In passing the film bill incentives, you guys said "we're behind you...go ahead & invest in his new industry to create jobs & attract revenue to Alaska". Now after we've spent the money & planted the seeds, there's a potential of you changing your mind.

In a nutshell, I trusted you all. I expected that when you voted **YES** you meant it. I put my money on the line in support of that **YES** vote and the intent of the original bill, which was to work hard to develop a new industry in this state, which we all agree is seriously needed.

I am respectfully urging the committee to, *not change your mind*, drop ~~HB112~~ and keep the existing film bill, as promised, through 2023.

Thank you Mr. Chairman and Members of the committee for the opportunity to testify today.
Sincerely,

Charles Hewitt, President
Mirror Studios

AK . DC . LA



Technology . Commitment . Integrity

03.26.2013

RE: HB112

Ladies and Gentleman of the House Finance Committee,
As a business owner interested in building a competitive stable economy several situations came to mine when I heard about HB112. Allow me to share 4 thoughts.

Situation 1: Alaska has a three legged economy, government, energy, and all others.

Problem: The most successful leg, Energy is in a cycle of decline. The federal government revenue leg is also expected to continue in a phase of decline.

Implication: The third leg of the economy, all other businesses, will need to shoulder more of the economic responsibility.

Needs Pay Off: The current film program which ends in July, although not perfect, returned \$2.05 in business revenue for every \$1.00 in Film Incentive spent, according to the numbers reported in the recently completed legislative audit.*

Situation 2: The state is currently completing its first five year experience in the film industry
The A legislative audit recently reviewed the film program.

Problem: Improvements needed to be made.

Note: The expiring test program is perceived to have put too much money into the pockets of highly compensated actors from out of state. These highly compensated out of state actors are unfortunately a fact of life for big productions, allow me to provide an example.

Let's say we were making the next block buster action movie in Alaska and we wanted the best bet at success at the box office. Would we cast Tom Randell** or perhaps a more bankable name like Tom Cruise? I think you would agree the better bet would be Tom Cruise despite Tom Randell being born raised, educated and living in Alaska; the Tom Cruise brand carries more weight than Tom Randell. So until we have some home grown star power we will have to use some out of state talent.

Implication: New ideas needed to be implemented if the program is to move forward.

Needs Pay Off: After reviewing the existing program and finding ways to make the film program better, the new film program set to become effective this year shifts a greater emphasis to hiring Alaskans throughout all levels of production and will maximize the benefit from the program to Alaskans, Alaskan businesses and the State of Alaska increasing the revenue per dollar of tax credit.



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Note: I have spoken with most of the vendors involved in film production projects on the Kenai Peninsula (a federally recognized hub zone for traditionally high unemployment) the overall experience is very positive and the industry is well received.

Situation 3: The legislature is entertaining HB112

Problem: HB112 will discontinue the Film Incentive

Implication: All investments, capital, time, to this point will have been wasted.

Needs Payoff: The bill HB112 doesn't need to happen, Kill Bill HB112. And allow the industry to grow.

Situation 4: Alaska is unequalled in raw splendor and majesty. Alaska's competitive film program is ending. New film programs, such as the one in Maryland, Mexico, and Connecticut are looking to expand.***

Problem: There are acceptable substitutes for filming Alaskan -esque scenes

Implication: As in other industries Alaska needs to be competitive in the global market to bring projects to the state.

Needs Pay Off: Working together over the last two years in the legislature the people of Alaska refined our film program to be more beneficial to the state of Alaska, providing a stable ten year structure so productions can plan long term.

Conclusion:

To repeal the film production tax credit at this time wastes two years of legislative work to produce a new more beneficial film production program and five years of industry work, investment, and training to set the foundations of the industry.

Our competitors are investing more aggressively and are seeing bigger gains. Might I suggest we move forward with the plan we worked out together in the legislature last session. Please join me in supporting business and industry in the state as we continue to diversify the economy for a stronger future. Let's do what we agreed to do, invest in Alaska by providing a stable and competitive environment for the film industry to grow in Alaska. Join me in stopping HB112 an Anti-business bill.

Thank you for your consideration,

A handwritten signature in black ink that reads "Randy".

Thomas R. Daly
HiSpeed Gear Inc., Kenai, Alaska
HiSpeed Gear Co, Anchorage, Alaska
HiSpeed Gear 2 LLC, Soldotna, Alaska
HiSpeed Gear 3, Homer, Alaska (Launching 2013)

Alaska Film Group, Board Member
Tom Randell's Daly Show**, Producer



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References:

* Alaska State legislature Legislative Budget and Audit Committee Division of Legislative Audit Audit Control Number 08-30066-12

** *see also

Examiner March 13th 2013, Maryland is tripling its film tax credit program.
<http://washingtonexaminer.com/article/2521501#.UR6neeYc37Q.email>

The New Mexico Legislature approved an increase to their film incentive program.
"Under the legislation, the incentive would increase to 30 percent for a TV show producing at least six episodes in New Mexico."
<http://www.seattlepi.com/news/article/NM-Senate-approves-film-incentive-sweetener-4345932.php>

Connecticut grew its digital media business in fiscal year '12.
<http://www.hartfordbusiness.com/apps/pbcs.dll/article?AID=/20130311/PRINTEDITION/303089975>



To Members of the House Finance Committee,

I am writing on behalf of the Alaska Filmmakers organization (Also Known as AKF), The Alaska Actors Network, and the Alaska Film Forum. I am also here representing over a dozen of my fellow filmmakers who could not be here today, but have asked me to convey their opposition to House Bill 112.

We, as a community, come before you today to ask you a simple question. Why would this legislative body, which has already casted its vote to support the Alaska Film Tax Incentive over the next decade, entertain a bill aimed at cutting down a program that has already proven itself over the last five years?

A program that that has helped create jobs, helped to diversify our state's economy, helped to promoted and develop new forms of education amongst Alaska's youth, and has helped to bring together a variety of talented artists and craftsmen to tell Alaska's stories.

A repeal of the Film Tax Credit is a step in the wrong direction.

The continuation of the tax incentive program is a step in a new direction of development. A direction our community has embraced and worked vigorously to develop and maintain. Even more so after those we elected to represent our communities had given their approval, and support, to this new industry during last year's legislative session.

Millions, of dollars have already been invested in this new industry, and to turn our back on it now would be a huge mistake. If HB112 were enacted we would be turning our backs not only on a productive and on going industry, but we would be turning our backs on Alaska's talented pool of professional and aspiring storytellers.

I have provided a document to each member of the committee containing this testimony as well as personal statements from those I speak for today. These people represent a new form of pioneer here in Alaska. They represent a new generation of hard working individuals looking to use their knowledge and expertise to tell stories from the last frontier.

I hope you will listen to their stories when making your decision.

D.K. Johnston – Assistant Director/Producer/PA/UAA Adjunct Professor

The following are testimonies I have received in response to HB112 from filmmakers either currently in the field or are unable to testify in person today on this matter.

-Michael Burn & Dean Q. Mitchell - Writers/Directors/Producers

"We are the Quake Brothers; Michael Burns and Dean Q. Mitchell. Our goal is, and has been, to make feature-length films, short films and documentaries in the state of Alaska utilizing only Alaskan talent. Without the tax incentive our goal may be ripped out from under us.

When the tax incentive initially passed we were developing a proposal for a feature-length film we had written called PROPER BINGE. We were going out on a limb; it was our first time attempting to make a commercially viable film and we really didn't have a clue as to where the money was going to come from to make it. The tax incentive seemed like it had the potential to really help us in our pursuit to gather funds.

After looking over our proposal the Alaska Film Office gave us the green light. Having a state authority recognize the fact that we had a serious project opened many doors for us.

Unfortunately, we were unable to raise the amount we needed to keep the qualification for the tax credits. Still, having pre-qualified, we were able to attract many serious filmmakers and movie enthusiasts. Professionals and amateurs volunteering their time and talents to an all Alaskan feature film, something they may not have had the chance to be a part of without the push of the tax incentive.

Throughout the summer of 2012 we worked with more than one hundred cast and crewmembers and approximately twenty-five local businesses. Each of them not only excited about the project but energized. Our crew came from as far out as Fairbanks, Girdwood and Anchorage for our twelve (plus) hour long shoots in Wasilla. If funds or a vehicle or any other filmmaking emergency came up, they chipped in without thinking twice. Some of the businesses actually closed down to accommodate our schedule. The City of Wasilla also assisted us on several occasions. Many of the filmmakers we met along the way were those that have let their skills go dormant due to the lack of a film industry in Alaska. Since our project, a lot of them have decided to continue the dream they long thought would never be fulfilled.

Working on a project like this gave us new insight on, not only how giving and respectful our fellow Alaskans are, but how vivacious they become when witnessing the growth of this new industry.

Our feature film, PROPER BINGE is nearly complete. We hope to premiere it at a top tier film festival, land a distribution deal, and we have high hopes to profit from it when all is said and done. All persons involved in PROPER BINGE are Alaska residents, which means any and all profits will go back into Alaska. The success we see from our

film will propel our next project and/or other's projects involving an all-Alaskan cast and crew. Without the film incentive in place, igniting a self-sustaining industry may not be possible.

All aspiring filmmakers in Alaska have had to ask themselves, at one time or another, "should I move to Los Angeles or New York to pursue my dream?" When truly, the question is, "Why can't I stay in Alaska to achieve my dream?" The right, well-written story has a good chance of becoming a great and successful movie no matter where it is filmed. The film incentive is reason enough for us, and for all local filmmakers to keep filming our stories in the state we love, Alaska.

Keep the dream alive."

-Jeff Aldrich - Actor

*"I have been following Bill Stoltze's HB112, and it is huge mistake for Alaska. As an Alaskan, born and raised, **I am discouraged to see our most talented actors and technicians faced with the decision to leave the state in search of work or to stay in Alaska with great uncertainty, condemned to scrape by working odd jobs in pursuit of their art.** If HB 112 is passed many of them must leave because there is no room for growth in an industry. This bill is working in the absolute wrong direction. What Alaska needs are more incentives for investment and stability that lets our future investors know that we are dedicated to cultivating the longevity of our industry. We need a comprehensive legislation that lays a foundation to encourage this growth, not just for the next legislative session but also for the next ten years. We need legislators with the courage and the faith in Alaskans to make that investment in our future."*

-Michael Bergstrom - Producer/Grip/Electrician & Co-Founder of Electric Igloo

*"I work full time in film, with a focus on motion pictures and television. This last year found me as a producer on the popular TV show Coast Guard Alaska, a show that is taking advantage of the tax incentive. **Almost all the work I have had the last two years have been on productions utilizing the tax credit in some way, and I have been able to become a homeowner in the Chugiak area and put down even more permanent roots as I begin my more long term growth of my small business. HB112 threatens large stable productions that benefit businesses, both film and non-film related.**"*

-Levi Taylor - Writer/Director/Producer & Founder of Crooked Pictures LLC

"My name is Levi A. Taylor, I've been a filmmaker all my life. In 2007 I left my day job to pursue my life long dream of making films in my home, Alaska. You see, I have a story to tell, forged in the homes and families that make Alaska what it is today. A land of diversity in personality and rich with the gold I mine, Stories.

The Alaska film incentive program represents the best of what you, our elected officials can do, help foster industry but providing opportunity. The State audit on the Film incentive program proved that it is bringing money to the State. Additionally as a filmmaker, I can tell you that the Alaska Crew has grown in size and professionalism in a way that can only be achieved with experience.

*There are many filmmakers, my self included, that are working hard to bring more work to Alaska. Telling stories about the Last Frontier that celebrate the human spirit in the harshest of places. Concurrently many Alaskans are gaining experience by working and businesses are making money providing support to an industry. **Now is the time to show our support, to grow economic opportunity and foster a new industry that celebrates humanity, even against all odds, in the quest to tell stories from generation to generation.***

-Cedar Cussins – Gecko Services LLC & Alaska Actors Network

"I am writing to say that my family does not support HB 112, an attempt to repeal the film tax incentives. My husband and I own Gecko Services LLC. Two years ago, we were a small snow removal company. Then, my husband was lucky enough to get a job working on Big Miracle.

Big Miracle changed everything for us. With the money he made renting equipment and contracting to that one film, my husband was able to pay cash for a mini-excavator, a dump truck, an equipment trailer, and a skid-steer. Those four pieces of equipment catapulted him into being self-employed year-round. Our business is now thriving! Last year, our gross receipts doubled and we hired our first employees! This year, we are on track to break the record we set last year!

Film tax incentives and the movies they bring up here are good for our economy. They diversify our economy and they give people, like my husband, and me opportunities that we would not have otherwise.

It seems silly to think that one movie could change a person's life. Big Miracle changed our lives. I strongly support anything that encourages more projects like Big Miracle to come to Alaska."

-Jim McLain – Screenwriter

"I want Alaskans to be able to tell Alaska Stories."

-Shane Reeves – Production Assistant/Coordinator/Assistant Director

"My wife and I are born and raised Alaskans. We love this state, and plan on living here for the rest of our lives. I attended college in California, but came back because this is where I want to be. I have worked in film production for the last 10 years, and

*because of the film incentive, I have been able to make a living on film and television productions made in Alaska. Over the years, I have gotten to know businesses and organizations around the state. I have become a point of contact for outside and international film companies around the state. I have had great opportunity here in my home state to learn and work with the best in the field. An opportunity that I thought would have been virtually impossible if I moved back home. I have also been able to connect small companies throughout the state with a significant amount of work needed by outside productions. These productions are filming in Alaska because of the film tax incentive program. **The work I have had due to the film incentive has allowed me to buy a starter home, obtain my business license, and my wife and I are able to stay in the place we love without having to relocate for production opportunities.** At this point in my career, I am not rich, but I am gaining the experience and training I need to continue growing. I would not be where I am today without the incentive. I am very proud to be part of an industry that seeks to capture why I love Alaska. The Film industry in Alaska supports all other industries in Alaska both big and small, telling the rest of the world how special this place is, especially to those of us who call it home. Tourism, fishing and hunting are huge industries here and the film incentive helps keep those industries alive."*

-Tom Trainor – Production Assistant/Grip/Electrician/Writer/Director

"As a businessman born and raised in this state who works exclusively in media production, I believe that repealing the film production tax credit while the production infrastructure is in the developmental (but measurably growing) stages is a very counterproductive idea. Many local businesspeople have made huge investments to help this industry move in the right direction, and to shut it down now would be a huge step in the wrong direction - one that would diminish the opportunities for many great Alaskans to support themselves working in the challenging field that they love. Myself included."

-Michael Collier – Cinematographer/Producer & Owner Random Acronym

"I wish I could rise to testify in person about the harmful effects HB112 would have on a burgeoning industry, thousands of residents, and the State itself. If it should pass I will follow my trade wherever it takes me - even if that means out of the State I love and have called home for two-thirds of my life. Today I work to diversify our state's economy. It is working for thousands of regular Alaskans right now, and it will work for All Alaskans as the industry grows."

-Daniel Lee – Camera/Steady Cam Operator/Production & Art Assistant

"I'm a lifelong Alaskan, 3rd generation.

In 2009 I became a freelance cameraman and production person and I done pretty well. Since the film incentive bill passing I've been able to work consistently going from

job to job, freelance, i.e. on my own. I own my car outright, I bought a house my job: freelance.

In 2012 I was hired as a Camera op on Coast Guard Alaska and worked on it for 9 solid months; a production made possible by the film incentive. This production's crew with the exception of 3 positions is all Alaskan.

I had a chance to be interviewed by the 1st Assistant Director for Big Miracle and he told me "It makes no sense to film this movie in Alaska, except for the incentive." We need Alaska to keep making sense. I worry that shutting down the incentive will force me out of state or out of work.

It seems to me we're calling something with a few rough spots that works: broken. Being a homeowner I run into these sorts of 'broken' things all the time and when I do, I fix them. Simply put: I want to work, and the incentive makes that possible to do so in Alaska."

-Christine Pomilla – Production Assistant/Coordinator/Assistant Director

*"Being able to work locally is important to me and the incentive program allows me to do that. **Working locally means I don't have to search out of state for work and potentially be away from my family for extended periods of time.** I can come home to my husband every night and not have to sleep in a strange place for days on end. I may not work often as a freelancer here in Alaska, but when I do, I love it. It's rare to be able to find a job doing what you are truly passionate about and actually enjoy going to work. For me, the film industry is that job and by taking away the incentive program, you would be taking away my opportunity to pursue what I am most passionate about. It's not about the money. It's about being able to work as much as possible in an industry that satisfies a passion of mine. I love what I do and don't want to be forced to stop doing it or to go somewhere else to find work. This industry not only brings jobs to filmmakers, but to many different local industries as well. I am proud to be a part of an industry that not only brings jobs to those who work in it, but also brings jobs to an entire community. The benefits of the incentive program are for more than just filmmakers. Let's keep it going. "*

-Simon Keelan – Grip/Electrician & Member of IATSE Local 918

"The film industry is my life. My father helped to pioneer the industry here in Alaska and I want to some day pass that on to my children. The film industry enabled me to get a great house for my family, no longer relying on unpredictable apartment managers.

Will we ever be Hollywood? No. And thank goodness for that. We don't need to be Hollywood for this incentive to work. As a fellow Alaskan I'm sure you understand how unique and beautiful our home is. What better way to show it off than through film?

I worked on Everybody Loves Whales and saw first-hand how the tax incentive

benefited the state. Do you have any idea how much cold-weather gear was purchased here at local shops during that movie? It was like a fashion show with these guys buying the next great piece of gear and showing it off on set the next day. Then there is all the food that was purchased for crew, transportation and housing. The tax incentive was what helped to bring it all here.

There were other projects that I worked on that all share similar stories, but the basic sentiment remains. The incentive works. Every out-of-town crew had the same thing to say, that the film follows the incentives. The decisions on where to shoot a project often land on the least expensive location.

I have focused my education and experience on this industry. I have traveled the state helping with classes to teach people interested in the industry. I am PROUD to be in this industry. If the tax incentive gets killed with HB 112, I will be forced to find other work and perhaps even go back to school for a different career. At 38 years of age, I'm not exactly a spring chicken anymore.

This isn't just about me. This is about family and friends. This is about the hard-working talent living here in Alaska. We all deserve a chance to make the state proud of what we can do. Please give us that chance."

-Tess Weaver – Production Hair-Makeup-Wardrobe/Production Assistant

"As someone who has established a successful career and business through the Alaska Film Incentive, I am in full support of our state's incentive program. A program that would suffer severe repercussions if HB 112 passes.

HB 112 would kill a new and developing sector of Alaska's economy that I have personally put my heart and soul into along with many other Alaskan film industry professionals. Not only are we living our dreams every day, we have also dedicated our time and skill sets to mentor and teach a handful of eager Alaskans wanting to be a part of and create a career through the film industry.

*As a costumer, I have the honor of creating amazing partnerships with local retail businesses. **Just the other day while shopping for a national commercial with a local production services company, I got to reminisce with the 6th Ave Outfitters team about the business brought to the store with productions like Big Miracle, Frozen Ground, and Wildlike.***

With film and commercial jobs booked all over our state, I myself have purchased thousands of dollars of outdoor gear, something I most likely would never have done when I was working retail at Nordstrom before the film incentive passed. I have also been able to pay off quite a bit of my college loan debt thanks to my credentials and paychecks from the film incentive! These stories are small examples of the millions of dollars invested in our state and local businesses through the film incentive.

The film incentive has given me such a great pride in being from and working in the state of Alaska! As a true networker and social butterfly, I am constantly connecting with new producers and directors as well as re-connecting with past producers, promoting our state and inviting them to check out the Film Office's website! When re-connecting with producers and talents I have had the honor of working with, they all say the same thing about our state: there is no place in the World like Alaska, and the amazing crew talent Alaska has to offer surpasses that of other states!

We have a truly wonderful and beneficial program going with the film incentive, let's keep it going and continue to build our state's economy and work force."

-Dan Redfield – Editor/Motion Graphics Designer

*"The film tax incentive has had a huge impact on not only a statewide level but also a personal level. I personally have been employed for many months because of out of state production companies coming to Alaska. It has helped me both professionally and financially. The experience I, and my colleges, have gained from past productions has helped make us more attractive to new potential productions, and helped pave the way for more work here in Alaska. The incentive has also had a huge trickle effect. **When production companies come to Alaska they spend money not only on crew but food, supplies, housing and more. Those expenses put money in the pockets of Alaskans, which in turn gets cycled through our local economy. That's why the tax incentive is not only good for me and my colleagues but good for Alaskans.**"*

-Joe Tapangco – Production Assistant/Assistant Director

"The Alaska Film Tax Incentive is the glue that keeps me working in, the State where I was born and raised, Alaska. Upon graduating from high school, there was no film program at the University of Alaska so I went out of State to gather an education. I was excited to come back to my home state to develop my career. Now I am disappointed to see that my dream of continuing to work here in Alaska is in jeopardy. Part of the industry is starting from the bottom. Working your way up is not a luxurious path. If the Alaska Film Tax Incentive dies, so does my future in the State where I grew up. Canada will not only steal Alaska's movies, but it's crew as well."

-Dave Fedorski – Production Sound Mixer/Owner of Artika Productions

"I've been employed on projects by a number of video/film production companies who's principal shooting was done in Alaska. One of these companies was shooting in Alaska simply because of the tax incentive while others hired me because I was an Alaskan resident who's employment offered them the benefits of the state tax incentive. These opportunities of employment have not only kept me in the State of Alaska but have brought me back a number of times after attempting to find employment else where. In my mind this has legitimized the opportunities Alaska can provide for me as a business owner and employee working in the video production industry."

*Employment on productions encouraged by the tax incentive offers Alaskan's not only the chance to earn money but to receive a video/film education most likely exceeding the ones offered by local universities. **The excitement sparked by more video and film productions being shot in Alaska has begun to, and will continue to, encourage aspiring video and film makers to reside and work in this state as opposed to searching elsewhere for education and employment.** The most obvious but also valuable result of this enthusiasm has been a dramatic increase in independently and locally produced video projects. These collaborative and ambitious efforts by talented locals represent the groundwork for a legitimate video and film industry in the state of Alaska. Repealing the tax incentive at such an early stage in the growth of such a promising industry would be short sighted when considering the long-term losses for the Alaskan economy. I would be disappointed for the state of Alaska to see some of it's more passionate, ambitious and talented individuals leaving in search of locations which offered them better opportunities."*

-Bradford Jackson - Actor/SAG Member & Founder of Rukus Productions

"I am a proud member of the Screen Actors Guild. Ever since I was young boy I had dreams of becoming an actor and making movies. Growing up in a poor family with little money, and my father serving his country away from home quite often, sometimes that dream seemed more than distant. I was unable to attend acting classes due to money needs for our family until I was 18, when I entered college. It was there I learned everything about acting on stage and most importantly to me, in front of a camera! I was seeking out everything I could for more Film, for this was my calling, my dream, and my passion. But living here in Alaska I wasn't sure I would find much. To my ultimate surprise, I found not one, not a few people, not a dozen, but well over a hundred people in Anchorage, Alaska alone who all had the same dream and passion as I did! To make Films!!! Since then I have had the honor to be in such films as 'Christmas with a Capitol C', 'The Frozen Ground' (with Nicolas Cage), and 'Wildlike', I received my Screen Actors Guild card and my dream seems to be getting closer and closer everyday. I have the production companies and crews that came up to Alaska to film their movies to thank, but most importantly I have the Alaskan Film Industry and all of it's independent hard working, passionate, loving, kind-caring, talented, rockstar filmmakers to truly thank! They made me who I am today, and they have set in stone my dreams in my heart that will never die. You have more than a dozen Alaskan independent production companies, over two hundred independent actors and growing, you have writers, producers, editors, special F/X teams, and directors all willing to bend over backwards to make movies here in Alaska. This city is being run by filmmakers who are working a 9-5 job so they can have money to make movies in the evening...don't take that away from them. Long live the Film Industry in Alaska!"

-Erin Lindsay King – Actor/Production Assistant/Production Coordinator

"I was born and raised in Anchorage, left for college, then moved to New York City. When I moved back to Anchorage in 2010 I had no idea the opportunities that were in store for me in the film industry in Alaska. With the Alaska Film Tax Incentive I have been able to work production on 3 feature films, star as an actor and extra in various film productions, and acquire my Screen Actors Guild membership, something that actors in Los Angeles struggle towards for years. Without the tax incentive, none of this would have been possible. To kill this bill not only kills thousands of jobs and substantial economic growth, it kills the way of life for a community of incredibly talented artists. Lets continue to build what we started, and support our local art community... we have so many reasons to believe in them."

FINANCE CO-CHAIR
BILL STOLTZE

R - MAT-SU/CHUGIAK (HD11)

HOUSEMAJORITY.ORG/STOLTZE



PRESS RELEASE

CAPITOL ROOM 515

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WASILLA: 376-4958

STOLTZE INTRODUCES BILL TO REPEAL AK FILM TAX CREDIT PROGRAM *Cites audit detailing program's cost & disproportionate benefit to non-Alaskans*

Thursday, February 21, 2013 Juneau, Alaska – Representative Bill Stoltze recently introduced HB 112 which would repeal the film production tax credit program as passed by the 27th Legislature, which now stands at \$300 million plus operating costs. However, the bill would keep the film production program office.

The Division of Legislative Audit released a report last fall which highlighted many aspects of the program's costs and impacts. Among the report's conclusions, it found 84 percent of wages from jobs directly created through the program were paid to non-Alaskans.

"I supported leaving the film production office in place to show that Alaska is open for business," Stoltze, R-Mat-Su/Chugiak, said. "This year we are facing some very difficult budgetary questions. We are looking at choices between key funding items like infrastructure, schools, and programs for disabled veterans. How do we responsibly balance that with investing hundreds of millions of dollars in film production?"

HB 112 also leaves in statute the ability for the film program office to audit the record for previous recipients of film tax credits to allow the Department of Revenue the ability to recover certain damages.

"The jobs created by this program are often temporary" Stoltze said. "We know that when the state subsidizes this spending, of course some businesses are going to see it, but I think we owe it to ourselves to ask the question is our investment a good one?"

"How do we justify spending more than \$56,000 per full time job created? I think it's time that we focused on creating more lasting jobs for Alaskans, instead of jobs for lower 48 film producers. We are simply asking that this program stand on its own merits and go through a thoughtful public process."

Over the past four years Alaska has subsidized 106 films, shows, and commercials at a cost of more than \$35 million to the state.

HB 112 has been referred to the House Labor and Commerce committee.

For more information contact Rep. Stoltze's office 465-6824.

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ANCHORAGE LEGISLATIVE INFORMATION OFFICE

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WRITTEN TESTIMONY

NAME:

RON HOLMSTROM

REPRESENTING:

SCREENACTORS GUILD & AMERICAN FEDERATION
OF TELEVISION AND RADIO ARTISTS

BILL#/ SUBJECT:

H.R. 112

COMMITTEE &

HEARING DATE:

LABOR & COMMERCE 3/15/2013

SINCE THE FILM PROGRAM BEGAN THE SAG-AFTRA
MEMBERSHIP OF PROFESSIONAL ALASKAN ACTORS HAS
MORE THAN TRIPLED. THE REPUTATION OF OUR
POOL OF TALENT HAS BEEN GETTING AROUND IN
HOLLYWOOD.

THAT THE HIGHER PAYING JOBS IN FILMS GO
TO EXPERIENCED OUTSIDERS IS MUCH LIKE THE EARLY
OIL INDUSTRY. ALSO LIKE THE OIL INDUSTRY,
ALASKANS ARE NOW BEGINNING TO WIN THE BIGGER
ROLES & BETTER PAYING JOBS AS THEY BECOME
BETTER TRAINED. PRODUCTION COMPANIES ~~ARE~~ HAVE
BEGUN TO RECOGNIZE THE WEALTH OF TALENT
IN OUR STATE.

WHEN I WAS HIRED AS ACTOR FOR LOCATIONS OUTSIDE
OF HOLLYWOOD, I DON'T RECALL EVER WORKING WITH
ACTORS FROM THE STATE WHERE WE WERE SHOOTING
I WAS AMAZED AT THE NUMBER OF ACTORS FROM MY
ALASKA THEATRE COMMUNITY ON THE FILMS SHOOTING HERE.
LASTLY, A LOT OF US ARE ALREADY RECEIVING
RESIDUAL CHECKS FOR THE FILMS WE HAVE ACTED
IN HERE. LET'S KEEP THE JOBS COMING &
GROW AN INDUSTRY.

Thank you for taking time to allow public testimony on this very important topic. I am the owner and manager of Talking Circle Media. My company is an Alaskan Film, Television, and Video Production company. I began this career here in Alaska in 1984. And then started my own company in 1989 in Anchorage. I currently have 6 full-time employees, but have had as many as 17 part-time persons under my hire. I am here today to voice my opinion Against HB112, And urge all House of Rep. members to either Kill Bill HB112 or vote against it.

My company has experienced gross revenues of around \$500,000 spent by outside film and TV companies, directly related to the Film tax Credit. This is over the previous 5 years. Even this week I am either renting out camera equipment or crew people on Film tax credit related projects as we speak. The current film tax credit brings money not only to my staff and their families, but Millions of dollars in income to hundreds of non-video related companies all over Urban and Rural Alaska.

Last session I testified in agreement that the previous film tax credit needed revisions, and with the stewardship of the last legislation, those revisions were made after much public discussion. And with good judgment, the House and Senate body passed the revised film tax credit bill. With its new restrictions, truly is a local jobs creation bill.

So I am very confused that anyone in this current House body would present HB112, which desecrates all the work everyone put into crafting the new film tax credit bill that starts this summer.

I believe HB112 is based on misguided information, which is being by presented to the House leaders by biased individuals who have no first hand knowledge of the success of the film tax credit.

The State of Alaska costs almost no public Money, but has seen over \$110 Million spent in Alaska from Film and TV companies in Alaska, at the current costs of only around \$9 Million in tax credits redeemed by corporations, in the past 5 years. And there are dozens of Film companies that spend lot's of money in Alaska, that applied for film tax credits, but because of various reasons they decided to never finish the process to be issued a Film Tax Credit Voucher.

I would call the Film tax credit a pretty good return on investment.

Again, I am here today to voice my opinion Against HB112, And urge all House of Rep. members to either Kill Bill HB112 or vote against it.

Thank you and please ask me any questions.

Jonathan Butzke
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