

SB

39

<TARGET><BILL>SB 39</BILL><SUBJECT>SB
39</SUBJECT><COMM>SFIN29</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/13/15

FURTHER: RULES
 DATE TURNED IN TO OFFICE: 4/8/15

Finance Committee considered SENATE BILL NO. 39

SB 39-REPEAL FILM PRODUCTION TAX CREDIT

"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."

and recommends:

be replaced with CS _____ (L ___) [Same Title [New Title

adopt previous CS SB 39 (L & C) [Same Title [New Title

attached amendment(s)

adopt _____ Letter of Intent

further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
CRT	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
		W		

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV		✓		1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Cliff Bishop</i>	Bishop			✓	
<i>James S. ...</i>	Burke	✓			
<i>Thomas Olson</i>	Olson		✓		
<i>John Hoffmann</i>	HOFFMAN			✓	
CO-CHAIR: <i>Pat Kelly</i>	Kelly			✓	
CO-CHAIR: <i>Anna MacKinnon</i>	MacKinnon	✓			

ALASKA STATE LEGISLATURE

Chair:
Senate State Affairs Committee

Member:
Resources Committee
Health & Social Services Committee
Finance Subcommittees on:
Department of Fish and Game
Department of Administration
Department of Public Safety



Session:
Alaska State Capitol, Rm 125
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BILL STOLTZE

STATE SENATOR
Senator.Bill.Stoltze@akleg.gov

*Sponsor Statement
For Senate Bill 39
By Senator 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."

Senate Bill 39 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 SB 39.

DISTRICT F

BUTTE • CHUGIAK • EKLUTNA • FAIRVIEW LOOP • GREATER PALMER
KNIK RIVER ROAD • LAZY MOUNTAIN • GATEWAY • PETERS CREEK

LEGAL SERVICES

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

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Mail Stop 3101

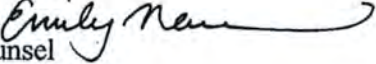
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 7, 2015

SUBJECT: Sectional Summary of SB 39 (Work Order No. 29-LS0097H)

TO: Senator Bill Stoltze
Attn: Daniel George

FROM: Emily Nauman 
Legislative Counsel

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

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

Section 1 removes a reference to the film tax credit from AS 43.75.130(f), related to the revenue sharing with local governments of the fisheries business tax. The effective date of this section is July 1, 2015.

Section 2 removes a reference to the film tax credit from AS 43.75.130(f) as it is amended in sec. 14, ch. 61, SLA 2014. The effective date of this section is the same as the effective date of sec. 14, ch. 61, SLA 2014, December 31, 2016.

Section 3 removes a reference to the film tax credit from AS 43.77.060(e), related to the revenue sharing with local governments of the fisheries resource landing tax. The effective date of this section is July 1, 2015.

Section 4 removes a reference to the film tax credit from AS 43.77.060(e) as it is amended in sec. 17, ch. 61, SLA 2014. The effective date of this section is the effective date of sec. 17, ch. 61, SLA 2014, December 31, 2016.

Section 5 makes amendments conforming with the repeal of AS 44.25.100 - 44.25.190, related to the film production incentive program. The effective date of this section is July 1, 2015.

Section 6 removes a reference to the film tax credit from sec. 28(b), ch. 61, SLA 2014, (the transition language of SCS CSHB 306(FIN) am S of the 28th Legislature) relating to the repeal of the film tax credit and other tax credits. This section has an immediate effective date.

Section 7 repeals AS 24.20.271(12) (related to the duty of the legislative audit division to conduct audits of the film production incentive program), AS 43.98.030 (film production tax credit), AS 44.25.100 - 44.25.130 (film production incentive program), AS 44.25.140 - 44.25.190 (film production incentive program), and AS 44.33.231(c) (administration of the Alaska film production incentive program (AS 44.25.110)). The effective date of this section is July 1, 2015.

Section 8 repeals AS 44.25.135, effective July 1, 2021, allowing six years for the recovery of the film production tax credit after the credit program is repealed if the film office determines that the film producer or production is liable for damages to the state, or any political subdivision of the state. This section has an immediate effective date.

Section 9 repeals multiple sections of ch. 51, SLA 2012 and ch. 61, SLA 2014, related to the film tax credit. The effective date of this section is July 1, 2015.

Section 10 provides transition language for the repeal of the film tax credit. The effective date of this section is July 1, 2015.

Section 11 repeals certain sections of ch. 51, SLA 2012, related to the film tax credit. The effective date of this section is July 1, 2015.

Sections 12 - 15 provide the effective dates for the bill, noted above. These various dates are necessary because 2014 legislation will amend some sections in 2016, and to allow recovery of damages after the program is repealed.

If I may be of further assistance, please advise.

ELN:lnd
15-087.lnd

ALASKA STATE LEGISLATURE

Chair:
Senate State Affairs Committee

Member:
Resources Committee
Health & Social Services Committee
Finance Subcommittees on:
Department of Fish and Game
Department of Administration
Department of Public Safety



BILL STOLTZE
STATE SENATOR
Senator.Bill.Stoltze@akleg.gov

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Summary of Changes From **SB 39** (version \H) To **CS for SB 39(L&C)** (version \E)

Senate Bill 39 underwent one change in Senate Labor and Commerce:
On page 3, line 22: the word "three" was changed to "six."

A Legislative Legal Services memo detailing the need for this change has been included with the bill packet. The memo explains that this was a drafting oversight which has now come to light. This seemingly small change was substantive and necessary, as it protects the state from potential regulatory taking claims.

LEGAL SERVICES

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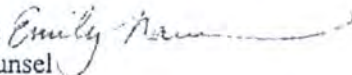
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 8th St., Rm. 329

MEMORANDUM

March 12, 2015

SUBJECT: Extending Transition Time for Film Production Tax Credits
(Amendment H.2 to SB 39; Work Order No. 29-LS0097\H.2)

TO: Senator Mia Costello
Attn: Weston Eiler

FROM: Emily Nauman 
Legislative Counsel

Enclosed please find the above-mentioned amendment which corrects an error in SB 39. The transition language in the current bill, at page 3, line 22, states that a film production tax credit must be used within three years after being provided by the department. To avoid a regulatory taking claim, a credit holder should be given six years to use the credit, matching the current provision in AS 43.98.030(e). The same error occurred in the version of the bill from the 28th Legislature.

If I may be of further assistance, please advise.

ELN:Ind
15-211.Ind

Enclosure

29-LS0097H.2
Nauman
3/12/15

AMENDMENT #1

OFFERED IN THE SENATE
TO: SB 39

By: Senator Costello

- 1 Page 3, line 22:
- 2 Delete "three"
- 3 Insert "six"

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSSB 39(L&C)
Fiscal Note Number:	1
(S) Publish Date:	3/13/2015

Identifier: SB039-DOR-TAX-2-16-15
 Title: REPEAL FILM PRODUCTION TAX CREDIT
 Sponsor: STOLTZE
 Requester: (S) 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)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
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

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 (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

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? 06/30/20

Why this fiscal note differs from previous version:

Initial version.

Prepared By:	Brandon Spanos, Deputy Director, Tax Division	Phone:	(907)269-6736
Division:	Tax	Date:	02/17/2015 01:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	02/15/15
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

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 approved by the Film Commission prior to July 1, 2015. This bill retains 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.

Expenditures:

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. Three positions were created in the Department of Revenue to administer the program.

The Governor's FY 2016 Amended Budget removes funding for the three positions which currently administer the Film Office in the Department of Revenue, at a savings of \$346.7. The Department will absorb the responsibilities of the Film Office into the Excise Tax Group within the Tax Division. As a result of the funding changes in the Governor's budget, the repeal of the film production tax credit would result in no additional changes to personal service since the three positions currently administering the program would be eliminated from the department's budget beginning in FY 2016. This bill provides that any tax credits preapproved prior to July 1, 2015 would still be allowed under previous law. The department will need to process 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 these remaining functions of the film office that are not repealed by this bill can be implemented in the Tax Division using this existing staff and resources.

Regulations:

Regulations adopted by the department for this program would be repealed by June 30, 2020.

Public Reporting

Introduction Commission Meetings Tax Credits Issued Annual Report Tax Credit Buyers

DATA AS OF April 1, 2015

Application for Qualification

Total Number of Qualification Applications Received after July 1, 2013	70
Total Number of Qualifications - APPROVED	46
Total Number of Qualifications - Under Review (pending approval)	5
Total Number of Qualifications - Rejected	16
Total Number of Qualifications - Withdrawn	3

Program Funding

>	
Total Estimated Credit Amount of Qualified Projects - APPROVED	32,341,031
Total Remaining of \$200,000,000 Program Cap - QUALIFIED	167,658,969
Total Remaining of \$200,000,000 Program Cap - Final Award	198,461,077
Total Number of Final Applications Received (qualified in NEW DOR)	14
Total Number of Final Credits - AWARDED (qualified in NEW DOR)	10
Total Credit Amount of Final Credits - AWARDED (qualified in NEW DOR)	1,538,923

Final Credit Applications

Total Number of Final Credits - AWARDED since start (qualified in OLD DCCED)	100
Total Credit Amount of Final Credits - AWARDED since start (qualified in OLD DCCED)	47,215,243
Total Remaining of \$100,000,000 Program Cap - Final Award (qualified in OLD DCCED)	53,519,341

Production Types - Qualification Applications Received

Unscripted Television Series	42
Feature or Short Film	12
Documentary	9
Commercial Advertisement	7
Scripted Television Series	0



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

State Office Building
333 Willoughby Avenue, 11th Floor
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Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

To: Honorable Kevin Meyer
President of the Senate
State Capitol, Room 111
Juneau, AK 99801-1182

Date: February 18, 2015

Honorable Mike Chenault
Speaker of the House
State Capitol, Room 208
Juneau, AK 99801-1182

Re: Alaska Film Office
Annual Report

From: Randall Hoffbeck
Commissioner

A handwritten signature in blue ink, appearing to be "RH".

In accordance with AS 44.25.105(a), attached is a report of the activities conducted by the film office under AS 44.25.100-44.25.190. This report includes:

- (1) the number of applications received under AS 44.25.120;*
- (2) the number of applications approved by the film office;*
- (3) the number of, and amount of, tax credits disbursed under AS 44.25.110;*
- (4) the total amount of expenditures that were paid by productions qualifying for the film production tax credit that were not qualified expenditures;*
- (5) the total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit to Alaska businesses;*
- (6) the total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit to Alaska residents as wages;*
- (7) the total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit for wages paid to individuals who were not residents;*
- (8) the total number of residents employed by productions qualifying for the film production tax credit;*
- (9) the total number of individuals employed by productions qualifying for the film production tax credit who were not residents;*
- (10) the number of productions qualifying for the film production tax credit that used a third party to sell, assign, exchange, convey, or otherwise transfer, in whole or in part, a tax credit certificate received by the production; in this paragraph, "third party" means a person other than the producer or an employee of the producer of the production qualifying for the film production tax credit; and*
- (11) the number of purchases of transferable film production tax credit certificates under AS 43.98.030(h) and the total amount of film production tax credits shown on the certificates purchased by the Department of Revenue.*

If you have any questions regarding this report, please contact Tax Division Deputy Director Brandon Spanos at 269-6736 or Brandon.Spanos@alaska.gov.

ALASKA FILM OFFICE ANNUAL REPORT - AS 44.25.105(a)		OLD PROGRAM (DCCED)	NEW PROGRAM (DOR)		Alaska Film Office Comments
		Fiscal Year 2014	Fiscal Year 2014	Calendar Year 2014	
1.	The number of applications received under AS 44.25.120:	n/a	50	40	AS 44.25.120 Qualification Applications for film tax credit.
2.	The types of productions received under AS 44.25.120:				
2a.	Unscripted television series (reality shows)	n/a	27	29	
2b.	Documentaries	n/a	8	1	
2c.	Feature films or short films	n/a	9	6	
2d.	Commercial advertisements	n/a	6	4	↓
3.	The number of applications approved by the film office:	n/a	40	24	AS 44.25.100 The film office is in the Department of Revenue. The former DCCED film credit program stopped accepting new qualification applications effective July 1, 2013.
3a.	The total amount of estimated credits approved:	n/a	\$ 18,263,211	\$ 16,192,992	
4.	The number of applications rejected by the film office:	n/a	8	6	
5.	The number of applications withdrawn by the applicant:	n/a	1	2	
6.	The number of applications under review by the film office:	n/a	1	8	↓
7.	The number of tax credits disbursed under AS 44.25.110:	18	2	4	AS 44.25.110 The film office administers the incentive program to provide a tax credit under AS 43.98.030.
8.	The amount of tax credits disbursed under AS 44.25.110 :	\$ 5,543,701	Only issued two credits - Confidential under AS 40.25.100(a)	\$ 585,984	Tax credits are still being issued for productions that qualified under the former DCCED film credit program.
9.	The types of productions that received tax credits:				
9a.	Unscripted television series (reality shows)	14	0	1	
9b.	Documentaries	1	0	0	
9c.	Feature films or short films	2	0	0	
9d.	Commercial advertisements	1	2	3	↓
10.	The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit:	\$ 17,417,134	Only issued two credits - Confidential under AS 40.25.100(a)	\$ 1,461,063	This is calculated as the sum of Alaska resident wages, non-resident wages, transportation and shipping, other compensation paid, and all other ground spend directly related to the film and where as the activity took place in Alaska.

ALASKA FILM OFFICE ANNUAL REPORT - AS 44.25.105(a)		OLD PROGRAM (DCCED)	NEW PROGRAM (DOR)		Alaska Film Office Comments
		Fiscal Year 2014	Fiscal Year 2014	Calendar Year 2014	
11.	The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit to established Alaska businesses as defined under AS 44.25.190(1):	\$ 5,730,621	Only issued two credits - Confidential under AS 40.25.100(a)	\$ 601,529	This is calculated generally as the sum of qualified intrastate transportation, leasing of vehicles, costs of food and lodging, costs of using a payroll services company, costs of music, and other expenses confirmed paid to Alaska businesses; it does not include the costs of interstate transportation.
12.	The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit to Alaska residents as wages (payroll taxes withheld):	\$ 1,344,918	Only issued two credits - Confidential under AS 40.25.100(a)	\$ 294,406	This is calculated as the sum amount of WAGES for employees who meet the residency requirements under AS 01.10.055 and paid through payroll. This category qualifies for the additional twenty percent.
13.	The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit to Alaska residents as wages and includes any additional compensation paid through a loan-out, agent, other third party or outside of normal payroll (contractor):	Data not collected under the former film credit program due to differences in expense eligibility requirements	Only issued two credits - Confidential under AS 40.25.100(a)	\$ 322,251	This is calculated as the sum amount of WAGES for employees who meet the residency requirements under AS 01.10.055 and paid through payroll and also includes any compensation paid to residents through a third party or as a contractor.
14.	The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit for wages (payroll taxes withheld) paid to individuals who were not residents:	\$ 5,667,782	Only issued two credits - Confidential under AS 40.25.100(a)	\$ 275,511	This is calculated as the sum amount of WAGES for employees who do not meet the residency requirements under AS 01.10.055 and paid through payroll.
15.	The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit for wages paid to individuals who were not residents and includes any additional compensation paid through a loan-out, agent, other third party or outside of normal payroll (contractor):	Data not collected under the former film credit program due to differences in expense eligibility requirements	Only issued two credits - confidential under AS 40.25.100(a)	\$ 420,992	This is calculated as the sum amount of WAGES for employees who do not meet the residency requirements under AS 01.10.055 and paid through payroll and also includes any compensation paid to non-residents through a third party or as a contractor.
16.	The total number of residents employed by productions qualifying for the film production tax credit:	188	Only issued two credits - confidential under AS 40.25.100(a)	91	This is calculated as the sum number of employees who meet the residency requirements under AS 01.10.055 and paid through payroll. The numbers are provided by the producer but unverified and DOR does not determine full-time or part-time status.

ALASKA FILM OFFICE ANNUAL REPORT - AS 44.25.105(a)		OLD PROGRAM (DCCED)	NEW PROGRAM (DOR)		Alaska Film Office Comments
		Fiscal Year 2014	Fiscal Year 2014	Calendar Year 2014	
17.	The total number of individuals employed by productions qualifying for the film production tax credit who were not residents:	192	Only issued two credits - confidential under AS 40.25.100(a)	64	This is calculated as the sum number of employees who do not meet the residency requirements under AS 01.10.055 and paid through payroll. The numbers are provided by the producer but unverified and DOR does not determine full-time or part-time status.
18.	The total amount of expenditures that were paid by productions qualifying for the film production tax credit that were not qualified expenditures:	\$ 34,141,296	Only issued two credits - confidential under AS 40.25.100(a)	11,118,329	This is calculated as the total production budget (provided by the producer but unverified) less the qualified expenditures.
19.	The number of productions qualifying for the film production tax credit that used a third party to sell, assign, exchange, convey, or otherwise transfer, in whole or in part, a tax credit certificate received by the production:	0	0	0	In this paragraph, "third party" means a person other than the producer or an employee of the producer of the production qualifying for the film production tax credit.
20.	The number of purchases of transferable film production tax credit certificates purchased under AS 43.98.030(h) and the total amount of film production tax credits shown on the certificates purchased by the Department of Revenue:	0	0	0	Subject to appropriation, the department may purchase a transferable film tax credit for 75 percent of the amount of each credit.

ALASKA FILM OFFICE ANNUAL REPORT - AS 44.25.105(a)	OLD PROGRAM (DCCED)		Alaska Film Office Comments
	Fiscal Year 2014	Calendar Year 2014	

The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit to Alaska residents as wages (payroll taxes withheld):	\$ 1,344,918	\$ 294,406	This is calculated as the sum amount of WAGES for employees who meet the residency requirements under AS 01.10.055 and paid through payroll. This category qualifies for the additional twenty percent.
The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit to Alaska residents as wages and includes any additional compensation paid through a loan-out, agent, other third party or outside of normal payroll (contractor):	Data not collected under the former film credit program due to differences in expense eligibility requirements	\$ 322,251	This is calculated as the sum amount of WAGES for employees who meet the residency requirements under AS 01.10.055 and paid through payroll and also includes any compensation paid to residents through a third party or as a contractor.
The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit for wages (payroll taxes withheld) paid to individuals who were not residents:	\$ 5,667,782	\$ 275,511	This is calculated as the sum amount of WAGES for employees who do not meet the residency requirements under AS 01.10.055 and paid through payroll.
The total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit for wages paid to individuals who were not residents and includes any additional compensation paid through a loan-out, agent, other third party or outside of normal payroll (contractor):	Data not collected under the former film credit program due to differences in expense eligibility requirements	\$ 420,992	This is calculated as the sum amount of WAGES for employees who do not meet the residency requirements under AS 01.10.055 and paid through payroll and also includes any compensation paid to non-residents through a third party or as a contractor.

DOR

Status of the Alaska Film Production Incentive | FY2009 – FY2013

Table 1. Qualified Production Applications | FY2009 – FY2013

Type	FY2009	FY2010	FY2011	FY2012	FY2013	Total
Commercial	0	1	0	2	8	11
Documentary	1	5	4	5	4	19
Feature Film	1	6	9	8	5	29
TV-Nonfiction	3	5	14	22	21	65
TV-Drama	0	1	0	0	0	1
Subtotal	5	18	27	37	38	125
DEW*	1	7	6	6	1	21
Total	6	25	33	43	39	146

* Applications denied, expired without final application, or withdrawn (DEW) as of 12/31/13.

Table 2. Approved Final Applications and Tax Credits Disbursed | FY2010 – FY2013

	FY2010	FY2011	FY2012 ^a	FY2013	Total
Number of Tax Credits	4	17	24	24	69
Resident Wages	\$134,540	\$1,992,584	\$5,713,981	\$3,249,796	\$11,090,902
Nonresident Wages	\$284,212	\$10,789,238	\$34,130,224	\$17,758,169	\$62,961,843
Qualified Vendor	\$326,203	\$6,271,064	\$17,546,255	\$19,035,623	\$43,179,144
Total Eligible	\$744,955	\$19,052,886	\$57,390,460	\$40,043,588	\$117,231,889
Tax Credit Approved	\$244,546.53	\$6,263,267.38	\$18,615,847.14	\$13,001,396.81	\$38,125,057.86
Average % Tax Credit	32.83%	32.87%	32.44%	32.47%	32.52%

* In FY 2012, due to appeals, two productions received two tax credit certificates.

Division of Economic Development - Alaska Film Office / Film Production Promotion Program

DOR

Daniel George

From: Allen Hippler <Allen.Hippler@nrim.com>
Sent: Monday, March 30, 2015 8:54 AM
To: Sen. Bill Stoltze
Subject: thank you for your efforts on the Film Tax Credit

I really appreciate it. I completely support your efforts to protect the state from these types of giveaways.

thanks

Allen Hippler

Vice President

Construction Lending

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3111 C St

PO Box 241489

Anchorage, AK 99521-1489

NMLS # 1202595

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From: Christine Dordan <creation@mtaonline.net>
Sent: Thursday, February 19, 2015 8:21 PM
To: Sen. Bill Stoltze
Subject: Film subsidy

Senator Stoltze;

I heard on the radio you proposed a bill to use the funds appropriated for the film subsidy to help pay down the budget shortfall.

Please do this.

The film industry does not need the subsidy.

Please use whatever remaining funds were allocated for the film industry subsidy to pay down the budget shortfall.

Respectfully,

Al Dordan
P.O. Box 770345
Eagle River, Alaska 99577

From: David Boyle <dboyle@alaskapolicyforum.org>
Sent: Tuesday, February 24, 2015 9:55 AM
To: Sen. Mia Costello
Cc: Sen. Bill Stoltze; Sen. Cathy Giessel
Subject: Support SB 39

Senator Costello,

I am writing as an Alaskan who supports SB 39, Repeal Film Production Tax Credit. This tax credit, actually a subsidy to the film industry, is a shining example of crony capitalism in which the government picks winners and losers. The State of Alaska should not be involved in subsidizing industries from the Outside which merely extract monies from the State treasury.

Of the more than 40 states that offer film subsidies, Alaska has the most generous. These subsidies do not pay for themselves and reduce funds that could support education, public safety and infrastructure. The projections of creating a long-lasting film industry in Alaska have proven to be fictional. Additionally, the creation of jobs is just as ephemeral. If one reviews the records of approved film tax credits, one would see that most of the jobs are non-resident. For example, "Deadliest Catch" production employed 35 non-Alaskans and only 8 Alaskans and reaped \$691 Thousand in tax credits. The "Dream Factory" employed 28 non-Alaskans and 0 Alaskans and cost \$148 Thousand in tax credits. Most all the other film productions show similar Alaskan employment. So, this is not about employing hard working Alaskans. It is about hiring non-Alaskans and sending Alaskan funds to Outside companies or reducing tax liabilities of Alaskan corporations.

One only needs to look at the study done by the Massachusetts Department of Revenue to see that in 2008 Massachusetts:

*Lost \$88,000 in tax revenue for every new job created and filled by a resident.

*Every dollar of tax revenue lost because of the film tax credit generated less than 69 cents in income for residents.

*For every dollar of film tax credits, the state gained only 16 cents in revenue.

Because these film subsidies cost Alaska, they should be repealed. Alaskans should not be required to pay Outside film companies to film in Alaska. Cut through the glitz, glamour and limelight and put this subsidy on the cutting room floor.

Thank you for your service.

Sincerely,

David Boyle



This email has been checked for viruses by Avast antivirus software.
www.avast.com

From: Matt Lorenz <contact@copperriverrecord.net>
Sent: Tuesday, February 17, 2015 7:07 PM
To: Daniel George
Subject: Bravo SB 39!

Follow up
Completed

Thank you, thank you, thank you!

Matt Lorenz
Editor & Publisher
Copper River Record
(907) 259-5277
PO Box 277
Glennallen, AK 99588

From: Nick Danger <awa4uinak@icloud.com>
Sent: Monday, February 09, 2015 11:29 AM
To: Sen. Bill Stoltze
Subject: Film tax

Follow up
Completed

Dear Senator Stoltze, thank you so much for taking a stand and doing away with the horrible film tax credit that only benefits a select few here in Alaska. I am a SAG screen actors guild member and a member of IATSE local 44 , everytime a film or media job comes here to AK the corrupt people in charge of casting or production use there few chosen ones to work , i have never in my 30 years of entertainment business seen such a corrupt system. So thank you for ending it and hopefully Hollywood will stay of Alaska and we can get back to getting people good jobs that pay living wages. Thank you

Nicholas Danger

From: Ruth McHenry <cca@coppervalleyak.net>
Sent: Saturday, February 21, 2015 11:04 AM
To: Sen. Bill Stoltze
Subject: SB 39

Dear Senator Stoltze:

Thank you for introducing SB 39. This will be a important place to save money--money that could be reapplied to education, for instance. An unfortunate, and perhaps unforeseen problem with the film tax credit program was that it encouraged a flurry of "reality TV" programs that gave outsiders a false impression of Alaska and Alaskans.

Thank you again,
Ruth McHenry

--

Ruth McHenry
HC60 Box 306T
Copper Center, AK 99573
907-822-3644

Dear Senator Costello,

Thank you so much for taking the time to read this brief email. I am writing you to express my support of SB39, an act to repeal the film production tax credit.

I know that you have a difficult and busy session ahead of you. The state's budget challenges are very real and that weight is undoubtedly heavy on your shoulders. The tax credit program costs our state money both in personnel and in potential revenue. Nationwide the number of states offering film production tax credits is declining. In 2010 43 states offered tax credits (via the Council of State Governments) and by 2014 that number had declined to 38 (via the National Conference of State Legislatures).

Supporters of SB39 talk often about the job opportunities offered by film production as well as the growth and development of business opportunities. While this may be true during the short term during active production these jobs and opportunities also leave the state when filming concludes. These are not the long-term, year-round jobs that our communities need.

I hope that you will vote to protect Alaskan communities like mine and repeal the film production tax credit.

Sincerely,
Andrea Korbe
Whittier, AK

Dear Senators of Alaska,

I thank you immensely for all you have done for our great state & for the film incentive thus far. I understand the seriousness of our state's current fiscal crisis. I can't help but take extreme concern if the film incentive program becomes obsolete, as my career & livelihood will also become obsolete. I have had a freelance styling business in our state since 2010 thanks to the program & all the productions that have come up because of the program have been my entire source of income & means of living. I have spent hours upon hours training a plethora of Alaska Residents who are interested in the film industry. These residents are eager and ready to work, many have recently taken a training class in Whittier that was hosted by IATSE 918 & Relativity Media Training in hopes of working on the film, Hunter Killer.

As someone who has worked on both Big Miracle & Frozen Ground productions, I can tell you first hand the millions of dollars spent locally within the Costume Department budget. The amount of money I have spent in our local economy in regards to shopping for productions makes me so proud. I do my best to shop with local small businesses and I can't tell you the sense of accomplishment and pride local business owners feel when I leave their store with multiple vehicles full of merchandise.

The possibilities of economic and employment growth with a film incentive is endless. My film family and I have invested so much time and education into a wonderful reputation that greatly appeals to production offices around the world. Please, don't kill our industry and our means for living. The incentive and the industry works and has immense potential for even greater growth.

I thank you for your time.

Best,

-Tess Weaver | www.tessiestyle.com

February 19, 2015

Dear Senator Costello,

I work in the Alaska film industry and am adamantly opposed to SB 39 which would repeal the Film Production Tax Credit Program!

I understand how serious our current state financial crisis is and why the governor has suspended the program but to make that next great leap to repeal the program all together would be a costly mistake. Our financial situation is exactly the reason we need to continue the Film Production Tax Credit Program.

The film industry brings much needed revenue and new monies into Alaska. I worked on the movie, Big Miracle. A smaller budget film, Big Miracle, spent \$16 million in Alaska during filming. A much bigger budget film like Hunter Killer, scheduled to film in Whittier in the spring, has the potential to bring in many more millions of dollars than that while providing Alaskan jobs and economic opportunities for Alaskan businesses.

In 2014, \$800 million dollars was added to the state economy in Louisiana from film and television production in the state. That kind of revenue would go a long way to improving the financial health of Alaska. But if the Film Production Tax Credit Program is repealed, producers will not come to Alaska to film their projects and we lose out on millions of dollars and any chance of building a viable, sustaining industry at a time when we need to diversify our economy in Alaska.

SB 39 is unnecessary and short- sighted. The Film Production and Tax Credit Program has already been sunset for review and reconsideration. Representative Steve Thompson's HB 306 "sunset bill" or "indirect expenditure" bill from last session sunsets the program in 2018. No applications are currently being pre-approved and any transferable tax credits that have been issued may be years away from being cashed in. Before each tax credit is issued, three audits and verifications are conducted. The entire program is audited! There is an audit from the Alaska Division of Legislative Audit due to the Alaska Legislature in 2017.

The Film Production Tax Credit Program was improved and further "Alaskanized" by now Senator Mia Costello and the House Finance Committee during the 27th Alaska Legislature. Her improvements included provisions for more Alaska hire and more oversight of whether each production is in the best interest of the state with the creation of the Alaska Film Incentive Review Commission.

Tax credits are prospective. The tax credits are not awarded until a production has spent the dollars in our state and the spend has been audited, verified, and voted on by the four commissioners.

As of right now, Governor Bill Walker has suspended the Alaska Film Production Tax Credit Program. The best course of action is to leave the program on the books as it has been working! To repeal the program now would kill a growing industry that brings millions of dollars of revenue into the state, diversifies our economy, and provides jobs and additional economic opportunities for Alaskan companies. Without the Film Production Tax Credit Program, I am out of work and can't support my family. Kill SB 39, don't kill the Alaska film industry!

Sincerely,

Karen Tallent

Dear Senator Mia Costello,

Thank you for taking the time to read and consider my letter. Your time is much appreciated. I am a film student at the University of Alaska Fairbanks and I am in my first year of college. When I heard about the issues going on with Alaska's state tax incentives and how it is affecting the film industry and programs here in Alaska, my heart broke.

Since my senior year of high school I have committed and dedicated my future career to the film industry. My goal is to direct and write. I desire to create films that impact people through social relevance. I hope to allow people to visually gain new perspectives and ideals on life. Besides the amount of inspiration and thoughtful perspectives that film gives us, it also creates jobs in Alaska.

I worked on my first professional film set at the age of 17, a week after I graduated from West Valley High School in Fairbanks, AK. I have never heard of another young person my age being able to work on a film set anywhere else, other than Alaska, as a respected and equal crewmember. This is the opportunity that only the Alaskan film industry has provided me with. Not only have I received crew jobs within the last year, I have also received acting gigs. Not only does this aide me in paying for college, it also allows me to work with people from different background and cultures, helping me to appreciate the diversity of Alaska. These opportunities are also helping me to build my resume in college rather than waiting till I graduate to start working. The film industry here in Alaska is my future. Without the film industry here in Alaska, many people will be without jobs. Without film, it is difficult to educate people on the unique aspects and stories of Alaska on a global scale. Please support the film industry and programs here in Alaska as you gather to discuss the tax incentives tomorrow. Thank you for your time.

Sincerely,

Kirsten Michelle

Dear Senator Costello,

I am writing concerning the Alaska Film Production Tax Credit Program. Please accept my comments in favor of the program and encouragement to keep the program intact.

Of course, we Alaskans, understand the difficult fiscal situation the State of Alaska faces. That is why programs like the Film Production Tax Credit are so important. This is an opportunity to provide jobs, income, and revenue to many Alaskans across many different sectors and industries.

My husband and I run a charter business and cafe in Whittier Alaska. Over the years we have had several opportunities to work with film projects of all sizes (commercials, reality programs, and feature film productions). Much of the work has come during the winter and early spring before our normal seasonal operation begins. That means I make payroll in months there would normally be no payroll, I pay City taxes in months when there would normally be no tax revenue, I order goods and services for our operation in months there would not normally be need. To our small business this may equal business in the “thousands” of dollars. But to our employees that means making rent, maybe eating out at a local restaurant, or buying a new pair of shoes – in other words, commerce.

Our vessel was used in one episode of “Alaska the Last Frontier.” We have received numerous reservations after seeing our unique landing craft vessel on the program and still today, after two years, field calls about that program. We took some of the cast from Frozen Ground on a sightseeing cruise and received a listing in the credits. I didn’t even realize we were in the credits until I received an inquiry letting me know they saw our company listed.

I understand the philosophical differences of the tax incentive – Is it good for State Government or is it good for the State. I believe there is no denying that millions of dollars coming into the State and being spread across many different sectors – is very good for the State.

In a time when oil revenue and jobs are questionable, it is responsible and prudent to look for ways to diversify our economy. The film industry offers those opportunities. I would also like to point out the marketing value the film industry offers Alaska, show casing our State for future tourism.

I appreciate your time and consideration.

Kelly Bender

Lazy Otter Charters

6754 Waterfall Dr.

Eagle River, AK 99577

907-694-6887 or 800-587-6887, cell 529-0235

info@lazyottercharters.com

Hello,

Please retain the existing film bill i.e give it a chance to work. If after a period of time and careful analysis, it subsequently does not support the best interests of Alaska, let it expire. Please do not kill the film incentive program outright, suspend if necessary. As Jay Hammond articulated in his autobiography (referring to state income tax) "suspend it but don't take it off the books". If the film incentive program is killed we'll never get it back essentially killing a nascent industry. I'd certainly call to testify however I'm unable as I'm in Washington DC on business (where it is colder than Anchorage).

Thank You

Jim Robinson

Dear Senator Costello,

Thank you for taking the time to read my letter. I realize that your time is very valuable.

I'm Michael Downing, a senior at Homer High School. I am asking you to vote against Senate Bill 39 to repeal the film production tax credit. I realize that our state's income has suffered with the recent decrease in oil prices, but this bill will hurt the economy even more. By eliminating the tax credit, our growing film industry will come to a sudden stop, destroying any chance of creating new Alaska-based film companies and forcing the new generation of Alaskan film enthusiasts to leave our amazing state. I am an aspiring film maker, who is only a few short months from graduating high school, and leaving for college, probably in California. I am going to California, because I know that there the film industry is strong and it saddens me that I have to leave my home in beautiful Alaska in order to train for a successful career. I hope to be able to return home and achieve that success in the breathtaking environment of Alaska and share the magnificence of our home through film and television.

In the past six years since the introduction of the tax credit 18 new TV series have been created in Alaska proving that these reality shows have clearly established a large audience that is fascinated by the lifestyle (regardless if they are obviously staged and inaccurate portrayals of everyday life). In the past few years, two new popular TV dramas, *The Americans* and *Allegiance*, have gained popularity for their plots of Russian spies in the United States due to Russia's aggressive activity in neighboring countries. If our new Cold War continues, this genre is sure to grow in popularity making Alaska the go-to location. This is already happening with the film being produced and filmed in Whittier this summer. What an impact on that community's economy and for the many Alaskans who are working on the film. We have suffered the embarrassment over the years of "Alaskan" film like *The Grey* with Liam Neeson shot in Canada (and grossing \$50 million).

Alaska has world-wide appeal and our new film industry is just getting started. The film production tax credit is pro-business and an investment that will far exceed the loss of income from a higher tax. Maybe I will be able to afford filming a major motion picture here one day.

Michael Downing

Homer, Alaska

03.24.2015

Thomas R. Daly
President
Alaska Film Group
P.O. Box 92008
Anchorage, Alaska
99509-2008

RE: SB39 public testimony, Senate Finance Committee, [REDACTED]

Ladies and Gentleman of the Senate Finance Committee;

Passing SB39 is bad for the film industry in Alaska. For a new industry to grow in Alaska it needs stability in the economy, legal environment and tax environment.

A stable economy, requires diversification, we are living the down side of an economy that depends on one sector too heavily.

A Stable legal environment requires that laws not be constantly tinkered with...

A Stable tax environment is needed so businesses can make informed decision and have some expectation that those underlying tax rules will remain mostly constant over the course of the multi-year business transaction.

The continued annual revisions in the film industry by the legislature create doubt in investors' minds. As Senator Mike Dunleavy and his constituents have experienced with the loss of the \$80M Hunter Killer project that sank in Whittier never to resurface.

Currently the film program is on hold by the actions of Governor Walker, and with the removal of all state film positions there is no more money to be saved by passing SB39.

- Passing SB39 does not save the SOA any more money.

Recently I met with producers in Los Angeles to discuss Alaska as a film destination. We were able to get them excited about Alaska. One producer asked a bit sarcastically about winery locations in Alaska, I was able to tell them: Yes on the Kenai Peninsula we have two, one in Homer one in Soldotna. And the one in Soldotna, its biggest problem is Moose. The light bulb went off and we are currently working on a rewrite that would put a feature film in Senator Miccche's back yard... if I can provide a competitive Film Program.

Imagine what would happen to an Alaskan Manufacturer, a local winery, when it gets national attention in a feature film.

SB39 does away with future new tech jobs, and destroys a business environment that is needed for Alaskan businesses to make decisions for investment in hardware, training, and infrastructure. If you read through the testimony from the previous committee you'll find a plethora of new Alaskan businesses and positions created by Alaskan companies in the film industry.

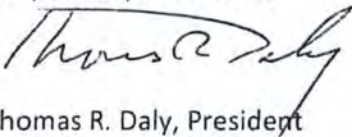
What the industry needs now is time to work on a Film Incentive that works for the state. I have met with Gov. Walker to design a Film Program going forward that the legislature can get behind. We also needs for the legislature to describe what it believes a fiscally responsible return on investment would look like.

The last legislative audit showed a return of \$2.10 for each \$1.00 of tax credit issued. It should also be noted that of the \$100, 000,000.00 budget only \$43,000,000.00 was issued.

- The film industry in Alaska came in under-budget and over-performed.

I encourage this committee to not move SB39 forward, it's bad for the film industry in Alaska, it's bad for diversifying Alaska's economy, it is bad for future Alaskan jobs.

Respectfully submitted,



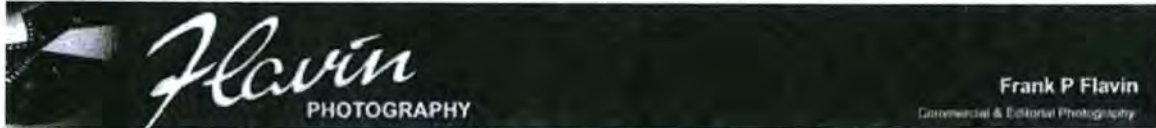
Thomas R. Daly, President



Attachments:

The Guide, An essential Resource for Global Production Incentives, International 2014-2015

The Guide, An essential Resource for Global Production Incentives, U.S. Domestic 2014-2015



March 24, 2015

Senator Anna MacKinnon
Alaska State Legislature
Re: SB 39

Thank You Senator MacKinnon for your considerations and holding public testimony regarding SB 39.

My name is Frank Flavin Photographer / Location Scout and resident of Alaska for over 45 years.

Flavin Photography has been in business since 1975 so have seen what the film industry can add to the Alaskan economy and opportunity for economic diversification.

There is no doubt that there are many US states and Canada that are taking advantage of Film Incentive Programs and are doing quite well to provide film related jobs and business for many support vendors. Perhaps easier because they have a Tax base and offer Tax Free incentives ?

I have testified for the Alaska Incentive Program for over 10 years and based my comments on factual information primarily from our Canadian neighbors specifically BC who have been doing this for over 40 years. The film industry in BC is now an economic machine. It has not been always easy for BC either. There was a time, about 10 years ago, when BC was considering discontinuing their program as well. They held on, made some changes primarily by adding infrastructure and training for Canadians thus keeping more monies at home.

Report from Creative BC's Annual Report April 1, 2013 to March 31, 2014

Creative BC Tax Credit investment \$ 366,321,689

Received from productions \$1,081,551,737

This was from 129 projects.

Moreover as Creative BC's film industry has grown so has their tourism because of awareness of Beautiful BC.

As you can see the film and related industries are an economic incentive.

Perhaps the film production tax credit right now is bad timing for Alaska with our revenue shortfalls ?

As I mentioned in my testimony this morning there will be smaller projects that will come to Alaska because of our unique settings without an incentive program but not the money makers.

In closing it is all important that our film office maintain a knowledgeable staff to answer questions about what Alaska has to offer and maintain the available crew list for future productions.

Thank you for your time, considerations and service to our great state.

Sincerely,

Frank P. Flavin

Mailing: P.O. Box 141172 Anchorage, AK. 99514 • Studio 5401 Cordova St. Suite 305 Anchorage, AK.
Phone: 907-561-1606 • Cell: 907-242-8206 • Fax: 907-562-3377 • flavin@alaska.net • flavinphotography.com

GEORGE GUTHRIDGE, PH.D.

Box 883 | Dillingham, AK 99576
(907) 843-0389 | glguthridge@alaska.edu | www.georgeguthridge.com

24 March 2015
Senator Pete Kelly, co-Chair
Senator Anna MacKinnon, co-Chair

Dear Senate Finance Committee Members and Fellow Legislators:

I beseech you *not* to pass SB39, the proposed bill that will repeal the film tax credit for the Alaska Film Incentive Program.

About myself: I have been teaching high school and college for 40 years, including 33 in rural Alaska. I have taught young people in 92 percent of Alaska's communities. Unlike a lot of other professors, I am politically very conservative. I mention that because I am also a businessman. Among other ventures, I built and operated a successful hotel here in Dillingham.

I wish to speak generally and specifically about this bill:

In general: Speaking as a businessman, in my opinion, killing the Alaska Film Incentive Program would be a form of fiscal suicide. Shutting the door on what could potentially bring millions of dollars into the state is, in my opinion, a really *bad* idea. We have much to gain by keeping the program and much more to lose by shutting it down permanently. I agree that sections of the program need to be tweaked – but that is true of everything we do. For one, there needs to be a provision that requires a certain percentage of Alaska-hire.

Speaking specifically: In the 1980s I coached ten young people from the whaling community of Gambell, on St. Lawrence Island. They became the only team of Native Americans ever to win national championships, a feat they accomplished three times. To do that, they had to defeat teams from schools for the gifted from across America, on subjects – such as genetic engineering and nuclear waste disposal – that the Gambell students had never heard of before.

A book, *The Kids from Nowhere*, is available, but 99.9% of Americans know nothing about the successes of these young people . . . young people who can be role models for kids everywhere and, especially, for Native youth, among whom suicide is rampant. I have written a screenplay about the Gambell students. I wrote it for charity, and in the hope that young people can be inspired by the tremendous successes of the Gambell students – and the tremendous sacrifices they endured to achieve those successes. The screenplay has won five international awards for excellence. It *must* be filmed in Alaska if it can be filmed at all. Without an incentive program, the chance that this very important story – and others like it – ever being told to the American public is nil.

Please, *please*, do not kill the Alaska Film Incentive Program. Just put it on ice until oil prices rise.

Thank you.

George Guthridge