

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3380



## KETCHIKAN

Our lifestyle, your reward

March 9, 2008

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

Dear Representative Johansen,

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

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

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

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

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

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

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

Sincerely,

Patti Mackey  
Executive Director

C: Senator Johnny Ellis

# CITY OF CORDOVA



March 6, 2008

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

Re: SB 230-creating film incentives for Alaska

Dear Representative Thomas:

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

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

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

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

Sincerely,

Timothy L. Joyce, Mayor

Cc: Senator Johnny Ellis  
Senator Albert Kookesh

January 29, 2008

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

Re: SB 230 - Alaska Film Incentive Program

Dear Senator Ellis:

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

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

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

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

Respectfully Submitted:

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

By:



Sandy Lorrigan, Executive Director  
Sitka Convention and Visitors Bureau



SITKA  
CONVENTION AND  
VISITORS BUREAU

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



## HAINES BOROUGH, ALASKA

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

February 1, 2008

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

Re: SB 230 - film production incentive

Dear Senator Ellis:


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

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

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

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

Sincerely,

  
Fred Shields  
Mayor



STATE OF TEXAS  
OFFICE OF THE GOVERNOR  
TEXAS FILM COMMISSION

RICK PERRY  
GOVERNOR

February 12, 2008

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

Dear Senator Ellis:

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

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

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

I wish Alaska much success.

Sincerely,

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

Bob Hudgins  
Director

cc: Governor Sarah Palin



February 1, 2008

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

Re: SB 230-film production incentive

Dear Senator:

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

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

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

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

Sincerely,

Ken Johns, President/CEO

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

January 24, 2008

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

Re: SB 230- Film production incentive

Dear Senator Ellis,

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

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

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

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

Sincerely,

Joel L. Summers  
CRP Manager



January 30, 2008

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

Re: Alaska Film Incentive Program

Dear Senator Ellis,

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

AFG was formed to:

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

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

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

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

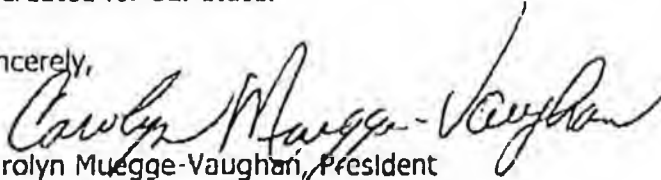
Alaska is missing out on this economic windfall. Television programs, commercials and feature films that are made about Alaska - or made to look like Alaska - are being filmed elsewhere. As a benchmark, prior to passing film incentives, other states, such as Louisiana, had a "ground spend" of \$20 million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

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

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

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

Sincerely,

  
Carolyn Muegge-Vaughan, President  
Alaska Film Group

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

1-800-770-8502  
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Mobile: 907-223-3740  
film@alaska.net

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

PRODUCTION  
MANAGEMENT

LOCATION  
MANAGEMENT

LOCATION  
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SNOWFIELDS  
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WILDLIFE,  
MARINE LIFE

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ICEBERGS

PERIOD  
BUILDINGS

WILDERNESS ROADS  
& HIGHWAYS

HELICOPTERS

SKI PLANES

SEA PLANES

DOG TEAMS

WATERFALLS

AND MORE

Re: SB 230 - Alaska Film Incentive Program


Dear Senator Ellis,

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

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

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

Sincerely,



Bob Crockett  
Alaska Locations, Inc.



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January 29, 2008

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

RE: SB230-.Alaska Film Incentive Program

Dear Senator Ellis,

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

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

Kudos to John Ellis for sponsoring SB230.

Onward and upward,

Paul Roderick  
President

January 24, 2008

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

Re: SB 230- Alaska Film Incentive Program

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

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

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

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

Best regards,



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



February 1, 2008

RE: SB 230 - Alaska Film Incentive Program

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

Dear Senator Ellis,

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

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

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

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

Thank you for your support!

Sincerely,

William & Viola Amberg  
Amberg Enterprises



# ULTIMA THULE OUTFITTERS

INTO THE THULES

February 15, 2007

TO: The Honorable Johnny Ellis

Dear Senator Ellis,

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

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

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

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

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

Sincerely,

Paul and Donna Claus



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

January 23, 2008

RE: SB 230

To Whom It May Concern:

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

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

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

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

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

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

Sincerely,

Colleen Stephens  
Vice President  
colleen@stephenscruises.com

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

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

RE: SB 230- Alaska Film Incentive Program

Senator Ellis,

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

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

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

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

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

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

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



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

907.543.5505  
email@christopherho.us

January 25, 2008

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

Re: SB 230 - Alaska Film Incentive Program

Dear Senator Ellis,

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

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

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

Thank you for sponsoring SB230.

Sincerely,

A handwritten signature in black ink that reads "Chris Ho".

Christopher Ho

BRISTOL BAY CAMPUS

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



Fax (907) 842-5692

25 January 2008

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

Re: SB230 – Alaska Film Incentive Program

Dear Senator Ellis:

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

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

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

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

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

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

Please support SB230.

Sincerely yours,

George Guthridge  
Professor of English  
ifglg@uaf.edu

PO Box 489  
Homer, Alaska 99603  
January 22, 2008

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

Re: SB 230 - Alaska Film Incentive Program

Dear Senator Ellis,

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

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

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

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

Thanks,

Dana Stabenow

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

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

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

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

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

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

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

CECILE'S

please  
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file

Alaska State Legislature  
HOUSE FINANCE COMMITTEE  
Agenda

Monday, April 7, 2008

8:30 AM

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

SB 230-FILM OFFICE/ FILM PRODUCTION TAX CREDIT  
FN DCCED F.I.  
REV INDETERMINATE(?)

ROLLED OVER TO 1:30 MTB

WB DRAFT F  
SB 119-SCHOOL LIBRARY GRANTS

25-650749  
V

WD

FN DCCED - INDETER. (CHRS 2875)

FN DCCED - INDETER.  
DEED

School. NOT  
HEARD

Monday, April 7, 2008    8:30 AM

SB 120-UNEMPLOYMENT COMP: BENEFITS/RECORDS

Senator Johnny Ellis/Dana Owen, Staff

Don Etheridge, AFL/CIO

Richard Helms (Teleconference)

Questions

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

Tom Nelson, Director Employment Security Division, Labor

SB 230-FILM OFFICE/ FILM PRODUCTION TAX CREDIT

Proposed CS Version F/ Amendment 1 – Meyer

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

Questions via Teleconference

Joe Austerman, Manager, Office of Econ Dev, DCCED

Monday, April 7, 2008    8:30 AM

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

Proposed CS Version F/ Amendment 1 – Meyer

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

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

Senator Johnny Ellis/Dana Owen, Staff

Don Etheridge, AFL/CIO

Richard Helms (Teleconference)

Questions

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

Tom Nelson, Director Employment Security Division, Labor

*Nelson  
Hensley  
transfer*

*Suzanne*

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

**Section 1:**

**AS 43.98.030 Film Production Tax Credit**

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

**Section 2:**

**AS 44.33.231 Film Office**

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

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

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

In making this determination, the Film Office may consider

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

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

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

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

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

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

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

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

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

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

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

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

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

This is addressed in the indemnity clause that was added.

**AS 44.33.236 Determination of Qualified Expenditures:**

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

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

**Expenditures that may be considered:**

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

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

The allowance for insurance costs or bonding was removed.

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

**Expenditures That May Not Be Considered:**

Added four additional items that are not considered qualified expenditures:

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

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

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

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

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

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

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

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

**AS 44.33.238 Regulations**

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

**AS 44.33.239 Definitions:**

A new definition for "Alaska Business" was added:

"Alaska Business" means

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

**Section 3: No Changes**

**Section 4: No Changes**

**Section 5: Notification Requirement**

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

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

**Section 6: Effective Date**

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

*change July 1 2019*

**SB**

**230**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/15/08

FURTHER:

DATE TURNED  
IN TO OFFICE: 2/28/08

Finance Committee considered SPONSOR SUBSTITUTE FOR SENATE BILL NO. 230

## SB 230 FILM OFFICE/ FILM PRODUCTION TAX CREDIT

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

and recommends:

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

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

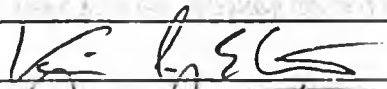

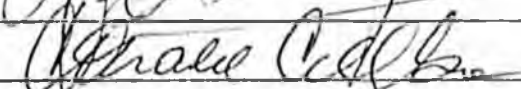


**NEW FISCAL NOTE(S):**

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

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

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

# FISCAL NOTE

2008 LEGISLATIVE SESSION

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

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

**Expenditures/Revenues** (Thousands of Dollars)

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

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

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( 1004 )</b>	**	**	**	**	**	**	**
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2008) cost: 0.0

**POSITIONS**

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

**ANALYSIS:** (Attach a separate page if necessary)

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

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

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

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

FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

BILL NO. CSSS SB230(L&C)

ANALYSIS CONTINUATION

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

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

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

# FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

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

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

**Expenditures/Revenues** (Thousands of Dollars)

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

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

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2008) cost: 0.0

**POSITIONS**

Full-time							
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)

See attached.

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

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

## FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

BILL NO. CSSSSB 230 (L&C)

### ANALYSIS CONTINUATION

#### **Bill Language:**

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

- Base tax credit equal to 30% of qualified production expenditures
- An additional 10% credit for qualified wages paid to Alaska residents
- An additional 2% credit for qualified expenditures made in a rural area
- An additional 2% credit for qualified expenditures made between October 1 and March 31
- Unused credits may be transferred or carried forward for future liability

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

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

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

#### **Revenues:**

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

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

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

#### **Expenditures:**

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

25-LS1275\V  
Bullard  
2/28/08

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

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATORS ELLIS, Stevens, Davis**

**A BILL**

**FOR AN ACT ENTITLED**

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

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

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

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

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

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

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

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

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

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

Article 2A. Film Office.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (4) a political advertisement; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# ALASKA STATE LEGISLATURE

Senate Labor and Commerce  
Committee, Chair

Legislative Budget and Audit  
Committee

Senate Rules Committee

Committee on Committees



*While in Session*  
State Capitol, Rm. 9  
Juneau, AK 99801  
(907) 465-3704  
Fax: (907) 465-2529

*While in Anchorage*  
716 W. 4<sup>th</sup> Ave, Ste. 440  
Anchorage, AK 99501  
(907) 269-0169  
Fax: (907) 269-0172

SENATOR JOHNNY ELLIS  
SENATE MAJORITY LEADER

7/22/08

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

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

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

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

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

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

# FISCAL NOTE

2008 LEGISLATIVE SESSION

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

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

**Expenditures/Revenues** (Thousands of Dollars)

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

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

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( 1004 )</b>	**	**	**	**	**	**	**
------------------------------------	----	----	----	----	----	----	----

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2008) cost: 0.0

**POSITIONS**

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

**ANALYSIS:** (Attach a separate page if necessary)

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

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

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

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

FISCAL NOTE #2

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

BILL NO. CSSSSB 230(L&C)

ANALYSIS CONTINUATION

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

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

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

# LEGAL SERVICES

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

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

2/22/08  
FEB 15 2008

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

## MEMORANDUM

February 15, 2008

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

**TO:** Senator Johnny Ellis  
Attn: Max Hensley

**FROM:** Alpheus Bullard *AB*  
Legislative Counsel

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

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

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

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

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

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

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

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

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

Senator Johnny Ellis  
February 15, 2008  
Page 2

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

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

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

Sec. 44.33.239. Adds definitions.

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

TLAB:lmb  
08-034.lmb

## TOP STORY ■■■

THURSDAY, FEBRUARY 21, 2008

## Star-struck states sweeten film incentives

By Daniel C. Vock, Stateline.org Staff Writer

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

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

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

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

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

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

## How film incentives work

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

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

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

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

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

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

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

The credits can create headaches for the film companies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Related stories:

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

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Contact Daniel C. Vock at [dvoock@stateline.org](mailto:dvoock@stateline.org).

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#### COMMENTS (0) ▄▄▄

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

2/22/08

# LEGISLATIVE RESEARCH REPORT

DECEMBER 21, 2007



REPORT NUMBER 08.077

## ALASKA FILM OFFICE

PREPARED FOR SENATOR JOHNNY ELLIS

BY THERESA SVANCARA, LEGISLATIVE ANALYST

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2/22/08



Bob Crockett  
Debra Schildt  
Kate Tesar

### WHO WE ARE

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



### ALASKA'S GOALS AFG'S GOALS



- Progress
- Productivity
- Putting Alaskans to work

COMPI ON FILE 1

**AFG PRESENTS**

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

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**SENATE BILL-230**



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

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**WHO BENEFITS?**

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



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## WHO IS MISSING OUT?

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

Across Alaska we are missing out.

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## TAX CREDIT INCENTIVES

### HOW THEY WORK

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

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## ECONOMIC IMPACTS

### "NORTHERN EXPOSURE"



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

Source: T-2 Guide 20199

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## GLOBAL COMPETITION



### "INSOMNIA"

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

Source: Louisiana Television Office and IMPLAN

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## U. S. COMPETITION LOUISIANA - INCENTIVES AND IMPACTS

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

### 2 YEARS LATER

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



Source: Louisiana Film and Television Office

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## STATE OF OUR STATE



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

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

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



Source: IMPLAN and Amazon

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## WELCOME TO SITKA, MASSACHUSETTS

- Incentives
- Rebates
- Tax Credits




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## SHOW ME THE MONEY

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

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

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## CREW RATES

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



Source: Dreamworks-rate per hr / 8 hour minimum

## FILM DEVELOPMENT DYNAMICS THE MULTIPLIER EFFECT

### STAKE HOLDERS

Films  
Investors  
Unions  
Office of Film and Video

### MARKETS

Demand for products  
Connections to production companies  
Local Media

### INFRASTRUCTURE

Airports, roads  
Location opportunities  
Future studios & stages

### LABOR FORCE

Crew base  
Arts community  
"Industrial atmosphere"

Source: Economics Research Associates

## TAKING STOCK WHAT ALASKA HAS TO OFFER



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

### MISSING CRITERIA

- Incentive Program

## PASSAGE OF SB-230

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

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THE OSCAR GOES TO...  
THE STATE OF ALASKA



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2/22/08

# LEGISLATIVE RESEARCH REPORT

JANUARY 24, 2008



REPORT NUMBER 08.101

## FUNDING FOR STATE FILM COMMISSIONS

PREPARED FOR SENATOR JOHNNY ELLIS

BY TIM SPENGLER, LEGISLATIVE ANALYST

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

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

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

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

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

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

**Table I: Film Commission Information from Selected States, 2008**

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

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

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

<b>Program Components</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>
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<b>Memberships</b>	\$500	\$500	\$500	\$750
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<b>Printing</b>	\$0	\$0	\$500	\$500
<b>Equipment</b>	\$0	\$750	\$0	\$0
<b>Total</b>	<b>\$26,000</b>	<b>\$20,150</b>	<b>\$32,800</b>	<b>\$33,050</b>

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

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

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

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

**National Public Radio**  
**Day to Day**  
November 13, 2007

2/22/08

## Alaskans Irked by Misrepresentation on Screen

ALEX CHADWICK, host:

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

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

Elizabeth Arnold reports from Alaska.

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

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

(Soundbite of movie, "The Guardian")

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

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

Deborah Schildt of the Alaska Film Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**adn.com**

Anchorage Daily News

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## TV show heats up king crab market

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

By MARGARET BAUMAN  
Alaska Journal of Commerce

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Forbes magazine

1/29/08

## How Does It End?

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

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

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



Border wars: actress Charlize Theron, director Guillermo Arriaga.

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

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

38 FORBES JANUARY 28, 2008

## Outfront

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

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

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

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

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

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

Scotia the rate jumped to 60%.

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

# New Tax Break Spurs Film Production in State

By C. J. HUGHES

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

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

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

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

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

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

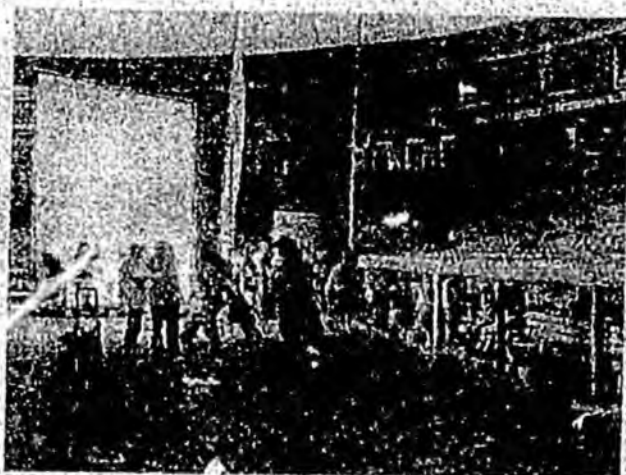
"It's premature to do any name-dropping at this point, but we're getting phone calls and inquiries now from studios we've never heard from before," Ms. Hamilton said. "It signals that we're doing the right thing."

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

The before and after figures may offer an explanation.



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



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

## Calls come in from studios never heard from before.

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

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

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

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

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



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TESTIMONY OF

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IN SUPPORT OF ALASKA FILM INCENTIVE LEGISLATION SB230

BEFORE THE

SENATE FINANCE COMMITTEE

FEBRUARY 28, 2008

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

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

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

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

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

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

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

THANK YOU AND I YIELD TO ANY QUESTIONS.







AMENDMENT

1

Stedman

OFFERED IN THE SENATE

TO: CSHB 61(FIN)

1 Page 3, lines 2 - 3:

2 Delete "the lesser of

3 (1) an amount equal to"

4

5 Page 3, line 4:

6 Delete "(A)"

7 Insert "(1)"

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9 Page 3, line 5:

10 Delete "(B)"

11 Insert "(2)"

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13 Page 3, lines 5 - 6:

14 Delete "; or

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

16

17 Page 3, lines 21 - 22:

18 Delete ", in current or emerging employment sectors"

19

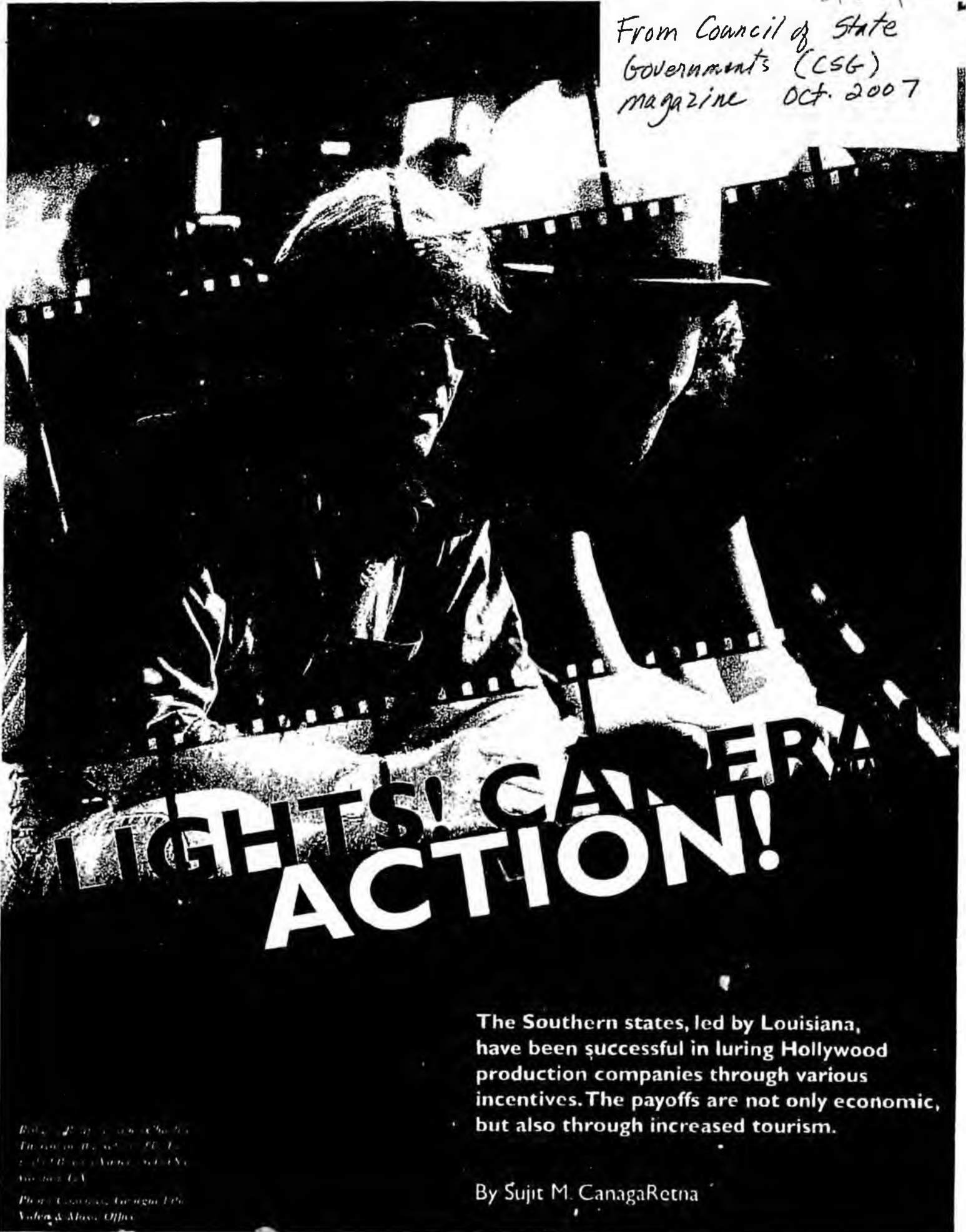
20 Page 7, line 28:

21 Delete "2008"

22 Insert "2009"

2/22/08

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

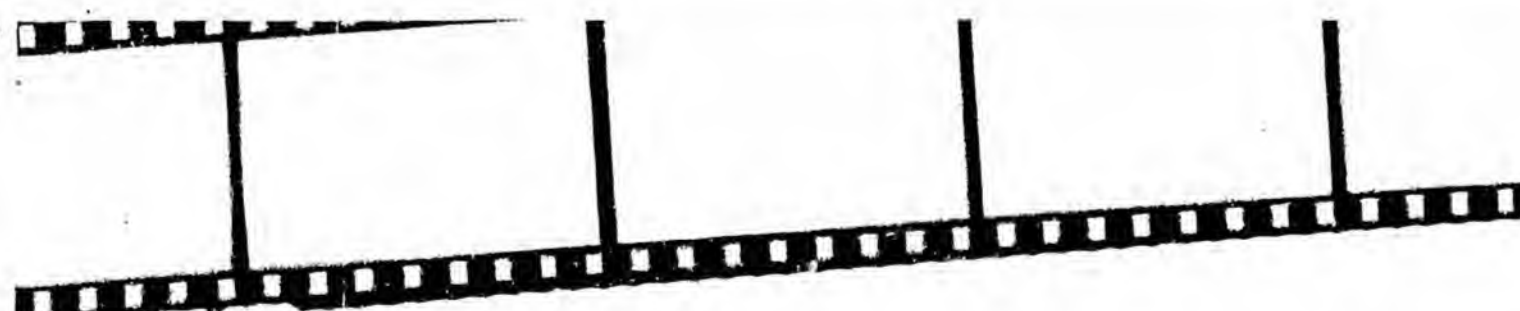


# LIGHTS! CAMERA! ACTION!

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

By Sujit M. CanagaRetna

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Houston, TX 77036  
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Video & Photo: Office*



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

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

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

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

## Economics Lure Filmmakers Overseas

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

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

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

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

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

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

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

## Declining Dollar Lures Film Industry Home

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

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

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

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

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

## Six Primary Incentives

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

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

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

## Revenues and Jobs

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

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

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

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

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

## The Tourism Factor

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

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

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

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

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

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

## Huge Economic Impact

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

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

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

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

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

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

# Feature

## TOP 10 DOMESTIC AND INTERNATIONAL

By John Law

Singapore boat quay historic quarters

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

### INTERNATIONAL

#### UK

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

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

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

#### SINGAPORE

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

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

For more information on the Film in Singapore! Scheme, please visit [www.stb.gov.sg](http://www.stb.gov.sg).

## REPUBLIC OF KOREA

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

Detailed information about the programs as well as the applications forms are available at the website; [www.seoulfc.or.kr](http://www.seoulfc.or.kr)

## TRINIDAD & TOBAGO

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

Email: [info@filmtrnt.com](mailto:info@filmtrnt.com)

## MANITOBA

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

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

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

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

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

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

## DOMESTIC

### MISSISSIPPI

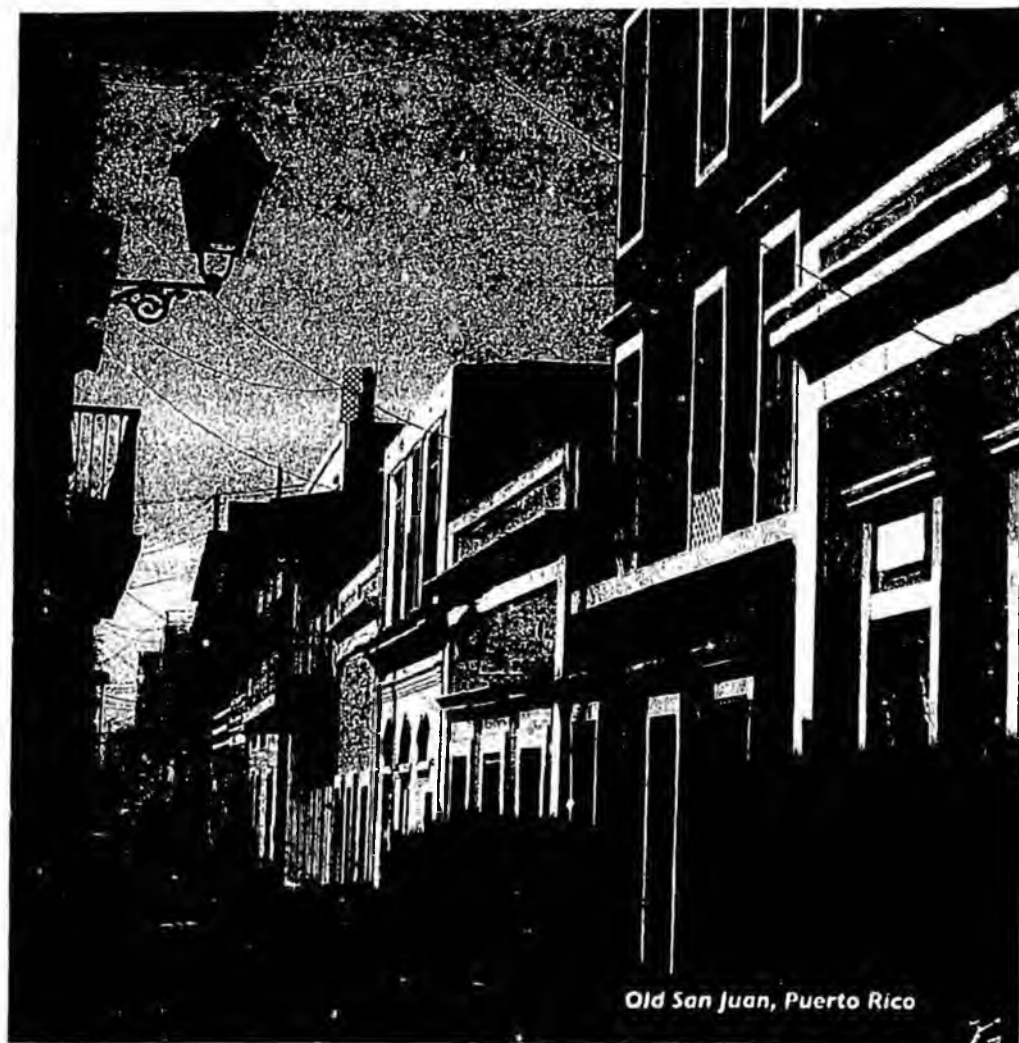
The state's new 2007 incentive program created a 20-30 percent rebate on a production's local spend, including local payroll, and a 10 percent rebate on the wages of non-resident cast and crew whose salaries are subject to Mississippi withholding taxes. There is an additional seven percent sales tax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

### NEW MEXICO

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

### PUERTO RICO

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



Old San Juan, Puerto Rico

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

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

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

#### Puerto Rico Film Commission

Cristina Caraballo  
ccaraballo@puertoricofilm.com

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

## CONNECTICUT

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

For more tax break details visit [www.cultureandtourism.org](http://www.cultureandtourism.org) and the film division section

## LOUISIANA

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

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

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

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


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