Movie Production Incentives in the United States

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**Introduction**

Movie production incentives are tax benefits offered by states to movie makers. These incentives are aimed at encouraging in-state film-making. These tax incentives were first introduced in 1990s when a large number of film makers began moving out to other countries such as Canada in order to reduce costs. Since then, states have been introducing increasingly attractive incentive policies not only in competition with other countries but also other states within the U.S. Incentive policies vary from state to state. Mostly, they include tax exemption, cash grants, tax credits and fee-free locations for setting up studios. Advocates of such incentive programs argue that they increase economic activity and thereby create job opportunities. Others argue that the primary beneficiary of such incentives are out-of-the state cast and crew. The in-state talent doesn’t benefit much from these incentives, and therefore, the cost of such policies outweigh their benefits. However, the examples of many states including Georgia and Michigan show that if the film industry is stable enough, local emerging talent benefits from it. All the tax exemptions and grants provided by the state are spent with the state by the film industry, thereby not only accommodating local artists but also supporting associated business.

**Discussion**

**Types of Film Production Incentives in the U.S.**

There are five main types of film production incentives in America: tax credits, cash rebates, grants, sales tax and lodging exemption and no fee locations (New York Film Academy, 2017). A production company becomes eligible for tax credits if it fulfils the minimum spending condition. The tax credit fund is basically an amount of the total income tax owed by the company to the state. The eligible company can claim it after filing tax returns. In this way, companies are enabled to do more with less. Some states also offer sales tax and lodging exemptions (New York Film Academy, 2017). Production companies can save large amounts of their revenue if they are exempted from paying sales tax on production. Some states also exempt the companies from paying lodging taxes of their guests. The requirement to enjoy this exemption in most states is that the guests should be staying for more than 30 days. Some states also offer the incentive of allowing companies to film on state-owned property without paying any fee.

**Current Trends of State Sponsored Film Incentives**

Hollywood dominated the America’s motion picture industry for quite some time untill tax incentives were introduced by the state governments in the 1980s. These incentives attracted film production in many other states of the U.S. Today, policy makers of states compete with one another to attract film industry. The first state to introduce state tax incentives for film and TV production was Louisiana (NCSL.org, 2019). Since 1992 when it introduced tax incentives, film industry began remarkable growth till 2002. Other states responded and by 2009, 44 states in addition to Washington D.C. and Puerto Rico were offering incentives to film industry. Over the years the popularity of such incentives have waned and today, only 31 states, Puerto Rica, Washington D.C, and the U.S. Virgin Islands continue to offer incentives. This means that since 2009, 13 states have renounced their incentive program (NCSL.org, 2019).

Most states have devised such policies that aim at limiting the forgone revenue and minimizing the chances of losing film industry. In fiscal year 2018, Maryland, Colorado and Texas reduced the annual allocation for film incentive programs. Louisiana, arguably the initiator of state incentives to film production, introduced a cap of $150 million on budget allocation for film production incentives (NCSL.org, 2019). Many other states have followed suit. These measures are primarily due to fiscal pressures and the uncertainty associated with uncapped credits. However, North Carolina, Utah and Virginia have increased their annual allocations for film incentives (NCSL.org, 2019).

**Benefits of Film Production Incentives**

Filmmaking is a labor-intensive job. It requires manpower, resources and services. Therefore, a big-budget movie can help the local economy in multiple ways: new jobs are created; new infrastructure is introduced; small businesses flourish; and tax revenue is generated. Tourism of states also flourish as many hobbyists or film enthusiasts flock to film sites to see where and how movies and shows are filmed. An average film studio has about one hundred crew members (New York Film Academy, 2017). Then it hires amost another one hundred from among the local people. During film production, millions of dollars are spent on salaries. Demand for food and lodging also increases. Most importantly, local people are trained in film making skills which promotes local film making in future.

One pertinent example in this context is Georgia. In the fiscal year 2018, Georgia filmed the highest number of movies in its film history (Atlanta Business Chronicle, 2018). According to the Government Nathan Deal Report, film and television generated a revenue of about $9.5 billion in the year 2018 (Atlanta Business Chronicle, 2018). There were a total of 455 production shots which is the highest ever annual production shots. As per the deal, these productions represent a direct spending of $2.7 billion within Georgia. One of the primary reasons for this boom in Georgia film industry is the Investment Act of 2008. Georgia joined the world’s biggest production hubs due to state investment programs such as awarding as high as 30% of the total production spending as tax credits. As per the Motion Picture Association of America, the film industry in Georgia provides about 92,000 jobs and pays wages of more than $4.6 billion to employees. To support the film industry, more than 300 new businesses associated with film production directly or indirectly have either relocated or further expanded in Georgia (Atlanta Business Chronicle, 2018). The additional jobs created across other professions that indirectly support film industry include carpenters, fashion designers, medics, cloth-shops etc.

Another pertinent example is that of Michigan which opened its doors to film production in 2008. Movie making has increasing tenfold over the years. Michigan’s topography offered lakes, farms, hills, dunes, and rural as well as big cities. As per the Ernst and Young Report, for every single dollar spent by the Michigan government on incentivizing film production, 6 dollars are spent by the film industry within Michigan (KRIEGER, 2011). Creative people now do not have to look elsewhere. In fact the condusive atmosphere is breeding creativity, innovation and ideas. Electricians, drivers, autoworkers and shoemakers who were earlier unemployed have found new jobs. Schools in Michigan have embarked upon film-making training programs. The film-making expertise of local people has enhanced at unprecedented pace. This means more jobs and returns for Michigan itself (KRIEGER, 2011).

**Perceived disadvantages**

Some people argue that incentives for filmmaking are useless because the jobs thus created are only temporary. They point out that those who acquire skills in film production are left jobless once the production is wrapped up. Some people highlight that most of the states increase film production incentives by relying on success stories of other states without properly assessing how such policies will affect their own states.

**Conclusion**

The arguments of those who oppose state incentives for film making can be countered. The jobs created are temporary only when the state does not have a streamlined and stable production industry. If the film industry is stable enough, the local talent can set-up their own production studios. Moreover, states can always improve upon their assessment of such policies aimed at incentivizing film-making. With proper research and assessment, a balance can be struck between spending and attracting film industry. The example of Michigan and Georgia prove that the benefits of promoting film industry can be fully reaped when the film industry is made stable, local talent is promoted, and academic institutions are mobilized to promote innovation, creativity and the art of filmmaking.

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