

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on February 22, 2005 in Room 526-S of the Capitol.

All members were present.

Committee staff present:

Rena Jeffries, Revisor of Statutes  
Helen Pedigo, Revisor of Statutes  
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Barbara Nash, Chairperson, Kansas Film Commission  
James Graham, Vice President, QuVIS, Inc.  
Larry Garrett, Allegro Media  
Matt Jordan, Department of Commerce

Others attending:

See attached list.

Representative Novascone made a motion to approve the minutes of the February 10, 2005 meeting and Representative Carlson seconded. The minutes were approved.

Representative Kuether made a motion to pass out **HB 2232** favorable for passage. Rep. Hill seconded the motion.

Representative Huntington proposed a substitute motion to amend **HB 2232**. The amendment would require that the Governor appoint a representative from each US Congressional District. Representative Keuther seconded the substitute motion. A vote was taken, motion carried.

Representative Kuether moved **HB 2232** favorable as amended for passage. Representative Carlin seconded the motion. A vote was taken, motion carried.

**HB 2442:** Kansas film production growth act  
**HB 2443:** Kansas film production investment tax credit act  
**HB 2444:** Kansas film production tax credit act

Staff gave a brief explanation of the bills. **HB 2442** would provide for investment in film production projects in Kansas. **HB 2443** would provide a tax credit for investors in film production. **HB 2444** would provide a tax credit for a film company that produces a film in Kansas.

Barbara Nash, Chairperson of the Kansas Film Commission, urged the Committee to consider the incentives passed by other states and then to make Kansas competitive in the film industry. **HB 2442, 2443 and 2444** would go a long way to keeping new talent at home. (Attachment 1)

Jim Graham, QuVIS, Inc., stated QuVIS would like to see the development of production workflow in Kansas to support a local indigenous industry. QuVIS would embrace the opportunity to support an initiative to encourage film production in Kansas. (Attachment 2)

Larry Garrett of Allegro Media spoke in support of **HB 2442, 2443 and 2444**. Two basic principles to keep in mind as legislation is formulated is that Kansas must be competitive with other states; and incentives should provide some level of up-front financing.

Mr. Garrett stated he thought some combination of **HB 2442** and **2443** would provide the strongest possible incentive structure. He thought it would be one of the strongest in the country and urged passage of these bills. (Attachment 3)

Matt Jordan from the Department of Commerce gave neutral testimony on **HB 2442, 2443 and 2444**.

CONTINUATION SHEET

MINUTES OF THE House Economic Development Committee at 3:30 P.M. on February 22, 2005 in Room 526-S of the Capitol.

Commerce suggested funding sources other than EDIF should be utilized to support these initiatives. (Attachment 4)

Dave Wilson of the Kansas Arts Commission spoke in support of **HB 2442, 2443, and 2444**. He stated the project should be looked at through the broadest possible lense in regards to what it would do for the community and state. He feels the legislation is an opportunity to develop an art industry in the state of Kansas.

Written testimony only was submitted by the following:

- Nancy Nyberg, President, Kansas Connection (Attachment 5)
- Ronald Parker, Film Industry, Los Angeles, CA (Attachment 6)
- Mike Robel, President, Mike Robel Productions, Inc. (Attachment 7)
- Doug Curtis, Film Industry, Los Angeles, CA (Attachment 8)

Other information given to the Committee:

- 2004 State-By-State Tax Incentives for the Film Industry (Attachment 9)
- Improving your Film Vocabulary (Attachment 10)
- States that Kansas most frequently competes with in the United States (Attachment 11)
- Pamphlet from the Kansas Film Commission which can be obtained from the Kansas Film Commission, 1000 SW Jackson Street, Suite 100, Topeka, KS 66612-1354

Chairperson Gordon closed the hearing on **HB 2442, 2443, and 2444**.

Representative Burroughs made a motion to pass out **HB 2443** and **HB 2444** favorable for passage. Representative Roth seconded the motion.

Representative Brown made a substitute motion to amend **HB 2444** line 39 thru 42. If the film production company has complied with the requirements of this section, and the film has not been rated "R" or "X" by the MPAA, the Department of Revenue shall approve the film production tax credit and issue a document granting the tax credit only upon film completion after a rating has been assigned. Representative Holmes seconded the motion. A vote was taken, substitute motion failed.

Representative Huntington made a substitute motion to amend **HB 2443** and **HB 2444**. The amendment would allow the Department of Commerce to set up the rules and regulations to facilitate the implementation and administration of the tax credit program. Representative Loganbill seconded the motion. A vote was taken, motion carried.

Representative Burroughs made a motion to pass out **HB 2443** and **HB 2444** as amended favorably for passage. Representative O'Malley seconded. A vote was taken and motion carried.

The meeting adjourned at 5:40 p.m. The next meeting is scheduled for March 3, 2005.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE GUEST LIST

DATE: 2-22-05

NAME	REPRESENTING
Barbara Nash	Kansas Film Commission
Carol McDowell	Kansas Film Commission
Lindsay Hupill	Kansas Dept. of Commerce
PETER JASSO	Kansas Dept. of Commerce
David Wilson	House Arts Commission
Lang Garrett	Allegro Media
Jim Graham	QuVIS
David Markel	Rep. Powell
Bob Nash	abreaca
James Bartle	Bureau of Revenue
Stephanie Buchanan	J&P
Ron Herin	Motion Picture Ass'n of America



Testimony on HB 2442, 2443 and 2444 before the  
House Economic Development Committee  
The Honorable Lana Gordon, Chairwoman  
By Barbara Nash

February 22, 2005

Chairwoman Gordon and Members of the Committee:

I am Barbara Nash, a community volunteer and commercial pilot from Olathe. I am the current Chairman of the Kansas Film Commission and it is an honor to appear before you in that capacity.

When I spoke before you on January 27<sup>th</sup>, I urged you to consider the incentives passed by other states and then to take the action to make Kansas competitive in the film industry. I thank you for the introduction and hearing of the legislation before you that will not just make us competitive, but give us an advantage to attracting this industry back to our State. This is a huge beginning to being **as big as we think!**

Thank you as well for reviewing the studies of Kansas, Inc. and the University of Kansas, School of Law and considering the testimony sent to you by Kansans who are well known and successful in the film industry, and from Kansans who want to be. Also, I have personally received comments in support of these bills from Kansans Steve Mills, former CBS Vice-President for Movies for TV and Mini-Series and Dan Glickman, President of the Motion Picture Association of America.

The job of a Film Commissioner is to assist in attracting the film and visual media **industry** to Kansas. To me the word "industry" involves many things. It is more than helping to sponsor film festivals and provide hospitality at filmmaking functions. It is getting production companies of all sizes to spend their money in our State thereby creating employment opportunities for Kansans and providing training for Kansans studying toward being successful filmmakers, technician's or talent. Also, it is to assist Kansans in the business in getting their films made and seen.

A good Web sight, good staffing, travel money to trade shows, marketing materials and an advertising budget will not reap many rewards without solid reasons for having them. HB 2442, 2443 and 2444 will give the film industry those reasons. The economic statistics from other states that have passed similar incentives clearly show the immense possibilities for **growing this industry** in the State of Kansas.

Kansas is lucky to have seen a major growth in film studies across the State. Last month, THE FISKE GUIDE TO COLLEGES: 2005, ranked KU's Film Studies Program 4<sup>th</sup> best in the United States. We are growing the talent. HB 2442, 2443 and 2444 will go a long way to keeping that new talent at **home**.



It is high noon for the film industry in Kansas. We do not need a gunfight at the OK Corral. We need to work together to attract filmmaking back to our wonderful State. I join with Mike Robe, Doug Curtis, Ron Parker, members of The Kansas Connection, my fellow Film Commissioners and so many others, urging you to recommend HB 2442, 2443 and 2444 for passage.

Thank you for this opportunity to speak before you. I will be happy to answer any of your questions at this time or in the future.

Barbara Nash  
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Digital Imaging Technologies

Testimony on HB 2442, 2443 and 2444 before the  
House Economic Development Committee by  
Jim Graham Vice President  
Sales and Marketing for QuVIS, Inc.

February 22, 2005

The Honorable Lana Gordon  
Chairwoman, House Economic Development Committee  
Kansas House of Representatives  
Statehouse  
Topeka, Kansas 66612

Chairwoman Gordon and Members of the Committee;

My name is Jim Graham, I am Vice President, Sales and Marketing for QuVIS Inc. My family and I live here in Topeka. I am also speaking for George Scheckel, Vice President of Digital Cinema and Business Development for, QuVIS, Inc. George is originally from Topeka and graduated from Washburn University in 1982. He currently resides in Los Angeles, but has a daughter and two sisters still residing in Kansas.

QuVIS Inc is recognized worldwide as a leading manufacturer of high resolution, high fidelity digital imaging equipment for the entertainment, film and post production industries. QuVIS Inc is headquartered in Topeka, and currently employs more than 40 people in the state of Kansas.

Founded in Topeka in 1994 with the stated intention of developing a digital alternative to film for motion imaging, QuVIS has made a name for itself in the entertainment industry worldwide. Although we have maintained our roots and headquarters here in Kansas for the last ten years, our products are installed around the globe.

Today we are probably best known for our work in Digital Cinema. QuVIS servers were originally chosen by Disney and Technicolor for the first formal Digital Cinema trials in 1999. Since that initial digital release of Toy Story II in 1999, QuVIS servers have been used for more than 100 major Hollywood digital releases, as well as digital releases of local films in many other countries, from England and France to Japan, China and Korea.

House Economic Development  
Attachment 2  
2-22-05

Digital Cinema provides a wide variety of benefits from both a technical and business perspective. It offers significant advantages in quality and consistency over time. Film is a wonderful media, but film prints deteriorate over time. Digital projection offers the opportunity for the nine hundredth showing to be as good as the first. It also has the ability to dramatically impact both the cost and flexibility of cinematic distribution. The number of theaters a film could be screened at has traditionally been limited by the number prints that are produced. This has important implications for the industry, both in the cost of distribution, and the potential access to screens for independent films.

Although QuVIS is probably best known for our Digital Cinema work, we are used in many other entertainment venues, ranging from SeaWorld and EPCOT to attractions at Niagra Falls and the Empire State Building. By providing the flexibility to create new and unique presentations, digital technology offers new opportunities for both entertainment venues and the people who create the content, whether it is in California or Kansas.

In fact, much of QuVIS' success has come from helping to transform the production and post production process. QuVIS equipment is owned and used by all of the major Hollywood Studios, as well as a wide variety of independent facilities. Those facilities provide support for both the major studios and the independent filmmaker. The entire industry is in a process of transition from traditional methods and equipment to a digital process. This transition provides opportunities not just for companies such as QuVIS that provide the technology behind the change. It offers new opportunities for those involved in the creation of feature films and entertainment. For filmmakers, it offers the ability to create more and better films. For the industry, it offers opportunities for new firms in widely disparate geographies to compete on creative ability. And for a state like Kansas, it offers the opportunity to capture a greater share of this growing market.

My family and I returned to Kansas in late 2000 after more than 10 years abroad. During much of that time, I was directly involved in building infrastructure for the film and post production industry. I was directly involved in projects such as the build out of Fox Studios in Sydney Australia, and the creation of the facilities in Wellington New Zealand for WETA, 3'6, and the other companies involved in the production of The Lord of the Rings. I've seen the impact that public/private partnerships and the dedicated involvement of local and state government can have. In New South Wales (Sydney is the capital of New South Wales), the industry saw a more than 5 fold increase between 1996 and 1999. The landscape in Wellington is almost unrecognizable 5 years later, and the tourism spin offs have been immense.

QuVIS is keenly interested in seeing more production and post production work here in Kansas. Today productions tend to use Kansas as a "location". The majority of the work (and money) then end up in other locales. We would like to see the development of a production workflow in Kansas to support a local indigenous industry. We would like to see the state encourage a workflow that would support the creation of permanent jobs and additional opportunities for Kansans.



The film industry produces direct benefits in terms of jobs and payroll, but perhaps even more importantly, it can introduce a wide range of indirect benefits as well. Those indirect benefits include everything from the development of additional local support business, creation of intellectual property and skills training for our workforce to spin off benefits in industries such as tourism and travel.

QuVIS would embrace the opportunity to support an initiative to encourage film production in Kansas. We have already worked closely with The Kansas Connection promoting the benefits of Kansas to film makers at trade shows and industry events. We believe it is in the best interests of not just ourselves, but of all Kansans to encourage development of a permanent sustainable cinematic production environment in Kansas.

Thank-you for the opportunity to speak to present today.

Sincerely Yours,

Jim Graham  
Vice President Sales and Marketing  
QuVIS, Inc  
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Topeka, KS 66614

785 272-3656 ext 133

[jgraham@quvis.com](mailto:jgraham@quvis.com)

Thank you madam chairman and to the committee for allowing me to have a few minutes here today.

My name is Larry Garrett and I am partner in Allegro Media a film and video production company. I am also currently executive producer of a new film production based on the short stories of a classic American writer, Ambrose Bierce. That film is scheduled to begin production on April 14.

I am speaking in support of House Bills 2442, 2443 and 2444 regarding the utilization of incentives to attract more film and television business to the state of Kansas. I had the opportunity to address this committee during the 2004 term on behalf of a group interested in bringing film production to the state. That group, which included Wachovia Funds and the New York-based Structured Capital Group, still stand by their commitment to finance film production in the state if the right incentives are in place.

Had some combination of the house bills currently before you been passed by the end of last term, we would be producing films here in Kansas right now, and talking not just about attracting business, but looking for the best ways to expanding our new industry.

By now you've been inundated with the statistics regarding the impact of film production. But there were two which were in the news within the past week that I found very interesting.. In 2002 the Louisiana state legislature passed a tax-break incentive for film and television production. In an article just this past Monday in the *The Daily Reveille*, a Baton Rouge, Louisiana newspaper, the film office there stated that revenue from film production in the state has increased from \$20 million to \$350 million annually.

Another story out of France last week caught my eye because it addressed a different kind of benefit that comes from film production. The French government has announced that they will take steps to encourage more television. and films to be shot in their country. Why? Because they discovered that their tourism increased 65% when people were exposed to their country.

With, by my last count, 36 states currently offering incentives of one form or another to film makers the question becomes, what can Kansas offer to assure our competitiveness.

I believe there two basic principles to keep in mind as you formulate legislation to attract this industry to the state.

1. We have to be more than competitive with other states.
2. The incentives have to provide some level of upfront financing.

To the first point, realistically, there are some things that Kansas doesn't offer. We don't have oceans or mountains.

We're not as conveniently accessible as New Mexico is for Hollywood producers or as North Carolina is for East Coast producers.

Our climate offers less predictability than the Southwest. And we don't, currently, have the infrastructure to support multiple, simultaneous productions. So for the state to attract substantial film production, our incentives have to be substantially more competitive. To paraphrase our new slogan, "We'll only be as big as WE think."

Addressing the second point, the key to actually getting a film produced is obtaining the money to do it.

Of the three proposed bills we believe that 2442 and 2443 offer the biggest thinking and the most potential because of point number two---that the incentives have to provide some level of upfront financing.

While we not discourage any incentive proposal, we believe that House Bill 2444 would have the least direct impact on attracting substantial film business to the state. It would help, without question, but it would be marginally more competitive than states such as Louisiana which offers a 10% tax incentive on films budgeted up to \$8 million and a 20% incentive for films with higher budgets. This bill would, however, be both a boon and enticement to regional filmmakers working on more limited budget projects.

What 2444 fails to address, IS covered, in different ways, in House bill 2442 and 2443. Film financing. These bills each offer the possibility to filmmakers of assistance in getting at least a portion of their projects financed and this is significant.

From my reading of House Bill 2443 it appears to be similar to the Film Incentive Tax Credit program available in the state of Missouri. I can tell you, from personal experience, that the Missouri model of providing salable tax credits, is very, very helpful

With your proposed annual limit of \$2 million you will have more to offer than Missouri. But, I can also tell you that the \$2 million per year limit, won't be enough to bring a lot of film production here. By December 31, 2004, Missouri had about \$500,000 in unused credits out of the \$1.5 million they set aside. This tells me that the amount just isn't high enough to attract larger projects. However, because it places fewer restrictions on qualification than House Bill 2442 (no distribution or bonding requirements) it would be very helpful to independent filmmakers and those attempting to produce lower budget films. One project I'm working on now is a \$460,000 film and the \$230,000 in credits for which we have qualified will, without question, make the difference between whether or not the film actually gets produced.



House Bill 2442 offers the greatest opportunity for attracting larger scale productions. By providing a mechanism to directly co-finance films Kansas would move to the head of the pack as a production destination.

My only question regarding this bill is the 2.5% limit from the economic initiative funds. I do not know how much that amount potentially represents. However, if this bill would provide at least \$7.5 million in potential funding, this is by far the strongest of the three initiatives in terms of providing substantial resources to attract filmmakers.

Each bill offers something of value.

I believe that some combination of 2442 and 2443 would provide the strongest possible incentive structure. In fact, one of the strongest in the country, and I urge passage of these bills, or an amended version which puts these incentives in place.

Thank you.

Larry Garrett



# KANSAS

DEPARTMENT OF COMMERCE  
HOWARD R. FRICKE, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Testimony to the House Committee on Economic Development  
Matt Jordan, Director of Operations  
February 22, 2005

## House Bill 2442, 2443, and 2444

Chairperson Gordon and members of the committee, the Department of Commerce appreciates the opportunity to testify on HB 2442, 2443, and 2444. As the committee learned recently, Commerce has dedicated three full-time employees to support the Kansas Film Commission and its efforts to attract film projects within our state. This equates to nearly \$200,000 per year in annual support. These bills each constitute a major new commitment by the State to grow the film industry in Kansas.

Commerce engaged the services of Kansas, Inc. to research what other states have invested into growing their film industries and calculate the return-on-investment from those activities. This report studied programs in Texas, Colorado, and Oregon. It found each realized similar results: every \$1,000,000 invested generated 10 full-time jobs. This cost of \$100,000 per job is far higher than other agency programs. For example, programs geared toward small businesses and rural communities cost \$4,500 per job and those geared toward medium to large companies cost \$680 per job.

We believe there are important benefits to be derived by growing the film industry in Kansas. However, the research noted above leads the agency to conclude that rationale other than substantial job creation and meaningful economic development are needed to justify additional investments of state resources. It has been noted that other states have relied upon local arts communities and educational institutions to grow this industry (Austin, Texas is one of the most successful examples). Commerce believes the KU Film School, City of Lawrence, and Lawrence Chamber of Commerce are good partners to enlist in this effort and could help yield significant positives results.

Commerce would suggest other funding sources should be utilized to support these new initiatives. Since the EDIF is a fixed dollar amount by statute, any additional allocation to the film industry from the EDIF would reduce financial support to other economic development activities that historically have yielded a much higher ratio of jobs created per dollar invested, such as those that benefit rural communities and small businesses.

In addition, these new incentives would require additional staff support in order to provide adequate resources to fully realize potential benefits. Thus, if the committee passes all three new initiatives, Commerce recommends doubling its Film staff to six employees (at an additional expense of about \$200,000 per year) to sufficiently administer such complex financial transactions and to market the new programs adequately.

The agency looks forward to assisting the Legislature and other interested parties as these new strategies are considered and appreciates the opportunity to share its views on these three proposals.

I wish to thank the committee for its time and would now stand for questions.

**From:** <president@kansasconnection.org>  
**To:** <lanagordon@hotmail.com>  
**Date:** 2/21/2005 3:10:21 AM  
**Subject:** Kansas Connection Testimony

Representative Gordon,

Please find the attached Kansas Connection testimony and suggested revisions for HB2442. Your work is generating a lot of enthusiasm in Kansas Connection! We are spreading the word. Please don't hesitate to contact me if I can be of service.

Sincerely,  
Nancy Nyberg  
Kansas Connection President  
www.kansasconnection.org  
Nancy Nyberg  
President,  
The Kansas Connection, Inc.

**CC:** <cdmc122547@aol.com>, <flybarbara1@yahoo.com>, <CarleneM@house.state.ks.us>



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**The Kansas Connection, Inc.**

A nonprofit corporation linking the entertainment industry communities of Los Angeles and Kansas.

Testimony on HB 2442, 2443 and 2444 before the  
House Economic Development Committee by  
Nancy Nyberg and Charles Miller  
Current President and Past President,  
The Kansas Connection, Inc.

February 21, 2005

The Honorable Lana Gordon  
Chairwoman, House Economic Development Committee  
Kansas House of Representatives  
Statehouse  
Topeka, Kansas 66612

Chairwoman Gordon and Members of the Committee;

I am Nancy Nyberg, current president of The Kansas Connection, Inc. I was born and raised in Wichita and attended Wichita State University, where I earned dual B.A.'s in Theatre and Anthropology. My siblings, step-mother and many of my relatives currently reside in Wichita.

My name is Charles Miller, past president of The Kansas Connection, Inc. I am a native of Kansas who was raised in Independence and Coffeyville. I attended both Washburn University and the University of Kansas before moving to Los Angeles, where I now work as a motion picture writer, producer, and director.

On behalf of the Kansas Connection, Inc., we appreciate and applaud your efforts to conduct hearings on House Bills 2442, 2443, and 2444 in order to expand the film industry in Kansas. Since the entertainment industry recently surpassed the agriculture industry as the largest U.S. export, you recognize that this is the time to grow this industry in Kansas!

The Kansas Connection, Inc. is the largest non-indigenous entertainment organization in Hollywood. Our goals center on the creation of a film-friendly environment for those with an affinity for Kansas. With a broad expanse of talent in and from Kansas who have garnered professional experience, we are committed to helping build a permanent industry in that will serve as a training ground to create vital, long-term jobs.

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While we don't think the current legislation will lead us in that direction, we are excited that the state is investigating film industry economic growth options, and we would like to be a part of that process and are willing to help in any way necessary.

To date, Kansas has attracted only a tiny fraction of the lucrative production business. Offering tax incentives and rebates, like those of other states, is merely an interim solution to attracting film, television and commercial location shoots. Film crews often arrive with their own people to use Kansas as a back lot, then leave. While this generates jobs and a boosts short-term local cash flow, it will not make Kansas a permanent player in this huge industry.

With your help, we can initiate a low budget filmmaking program in Kansas to create a sustainable and significant part of our state economy. With the money it would cost us to provide tax incentives to a couple of blockbusters, successful job creation can be achieved by creating a pipeline of films with budgets of one million to three million dollars. Films made at this level of production still employ skilled working professionals in highly sought jobs. With time and training, exotic job titles like "Gaffer" or "Continuity" could become as commonplace in Kansas as "Injection Mold Supervisor" or "Landscape Architect." There will be immense opportunities for Kansans to work in, and enjoy, their home state.

Technology has recently evolved that reduces the necessary capital required to invest in and operate the ancillary businesses that support filmmaking. But a pipeline of product is needed to stimulate and support such businesses. Before now, there has been insufficient production to warrant the growth in Kansas (or nearby) of businesses like processing labs, film equipment rental shops, post production facilities, title and special effect labs, and prop houses.

By creating a unique low budget film program in Kansas, the state will secure employment, create accessible support services, and may even stimulate tourism as a by-product (witness the increase of New Zealand tourism as a direct result of the "LORD OF THE RINGS" films).

An appealing element of our proposal is that the state would be in a position to benefit from the revenue a film earns. The money contributed by the state would be spread over twelve or more productions that would have a low break-even threshold. If just one film becomes a surprise hit (like this year's "SIDEWAYS" or "NAPOLEON DYNAMITE"), we pay for this program and finance the continuation of it. At the end of four years, we will have together created a viable industry employing thousands in the state.

You are in the unique position of being able to start this engine of economic growth. As ancillary support businesses grow and expand their enterprises, more filmmakers will want to make films in this part of the country, well beyond the seed program you would be planting. Our talent base will evolve and perpetuate the industry we are all growing.

Toward the goal of creating a sustainable film economy in Kansas, we propose the following outline, which could be achieved through the addition or substitution of language to House Bill 2442, and we would be pleased to work with the Revisor to write bill language:

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By Committee on Economic Development

2-11

AN ACT creating the Kansas Film Production Growth Act.

*Be it enacted by the Legislature of the State of Kansas*

Section 1. Sections 1-16 and all amendments thereto, shall be known and may be cited as the Kansas Film Production Growth Act.

Sec.2. The State of Kansas shall create an Office of Film Development, hereinafter referred to as "Office", to work with the Kansas Technology Enterprise Corporation and the Department of Commerce, to encourage the growth of film production in Kansas.

Sec.3. The State of Kansas shall create a direct equity fund to fund the selection, approval and production of film projects under this Act.

Sec.4. Using current United States film industry standard norms and practices, the Office shall review and approve all budgets for all expenditures for all film projects under this Act.

Sec.5. Between July 1, 2005, and June 30, 2009, the State of Kansas shall allocate no less than \$25.78 million to finance the operations of the Office and film projects approved by it, in the following amounts:

- Between July 1, 2005 and June 30, 2006: \$ 250,000
- Between July 1, 2006 and June 30, 2007: \$8,255,000
- Between July 1, 2007 and June 30, 2008: \$8,510,000
- Between July 1, 2008 and June 30, 2009: \$8,765,000

Sec.6. The Director of the Office will be the Executive Producer of all film projects funded at budgets between \$1 million and \$3 million under this Act. The Office shall approve and fund at least four film projects under this Act in each of the fiscal years between July 1, 2006, and June 30, 2009.

Sec.7. The State of Kansas shall be accorded and retain all rights and privileges related to the approval and funding of film projects by the Office under this Act.

Sec.8. Only film projects approved by the Office shall be funded under this Act.

Sec.9. All film projects approved and funded by the Office shall be produced, and filmed on location wholly or substantially in the State of Kansas.

Sec.10. In all film projects approved and funded by the Office under this Act, at least one of the following film project principals must be a current or former legal resident of the State of Kansas: Writer, Director, Producer, Leading Cast Member.

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Sec.11. For all film projects approved and funded by the Office, at least 80% of the film project's crew must be current or former legal residents of the State of Kansas.

Sec.12. The State of Kansas, through the Office, shall have all rights and privileges of a limited partner in all film projects under this Act, with the following provisions:

(a) the State of Kansas shall retain a 50% equity position in each completed film project,

(b) the State of Kansas shall be entitled to receive 100% of all revenues generated by a film project under this Act, until such time as the State's entire financial investment in the film project is recouped by the State,

(c) beginning with the first dollar of any net profits generated by a film project under this Act, and after the State of Kansas has recouped its financial investment in the film project, any revenues produced by the film, including any revenues from all products and agreements derived from any aspect of the film, shall be divided equally between the State of Kansas and the principal Producer of the film, and

(d) the State of Kansas shall retain the right to premiere, exhibit, and distribute within the State of Kansas all films approved and funded under this Act.

Sec.13. All revenues received by the State of Kansas directly from film projects under this Act, shall be maintained in a revolving fund administered by the Office. The Office shall use these funds to fund additional film projects in Kansas.

Sec.14. The Office shall submit to the Kansas Legislature annual written reports detailing all film projects approved and funded under this Act, all expenditures and all revenues received, and any additional information or materials which may be requested of it by the Kansas Legislature.

Sec.15. If any part or application of this act is held invalid, the remainder of its application to other situations or persons shall not be affected.

Sec.16. This act shall take effect and be in force from and after its publication in the Kansas Register.

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Thank you for this opportunity to present testimony.

Sincerely,



Nancy Nyberg  
President  
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February 22, 2005

To: Chairwoman Lana Gordon, House Economic Development Committee,  
and Members of the Economic Development Committee

From: **Ronald Parker**

Re: Testimony on HB 2442, 2443 and 2444 before the House Economic  
Development Committee

Dear Chairwoman Gordon and Members:

My name is Ronald Parker. I attended your committee meeting on January 27, 2005, and was asked at that time to share some of my thoughts with you about the possibilities and practicalities of Kansas becoming a viable and ongoing site for film and television production.

I cited specific knowledge I had acquired about incentives offered by the State of New Mexico that have proven to be mutually beneficial to that state and to the entertainment industry. And I spoke about my own desire to see this situation recreated in Kansas – a desire stemming from nothing more or less than my abiding love for the state in which I was born, raised and educated. I am a native of Hutchinson and a graduate of KU - and no two facts of my life could mean more to me than that.

Since graduating in 1972, I have lived in Los Angeles. I have had, and continue to have, a successful career as a producer and writer of movies and miniseries. My projects have filmed all over the world – sometimes because it was appropriate creatively... and more often because it was appropriate financially. I have never had the pleasure of making a film in Kansas, even though I have written and produced stories that took place there. Economic realities caused other locations to pretend to be Kansas – which did my heart no good and did the state of Kansas no good either.

I have read House Bills 2442, 2443 and 2444 - and I can say, from my heart and from my more hard-headed professional evaluation - these are excellent bills; smart, thoughtful, wise and prudent. I cannot fault them and do not want to. They reflect a careful cherry-picking of the most meaningful aspects (for the state) of other states' incentives for film and television productions.

I have read the thoughtful and detailed testimony that Doug Curtis has submitted to you – and there is little I can add to his analysis and conclusions apart from my praise and support. But there is one thing he mentions that I wish to underscore: the potential for job-creation. It is one of the most meaningful and substantial benefits of following an incentive plan such as the one adopted by the state of New Mexico.

When I graduated from KU with a degree in film, staying in Kansas was not even an option. There was no conceivable future there for someone with my dreams and ambitions. And not one single faculty member suggested otherwise. But if the State of Kansas were to engage in a training and mentoring program along the lines of New Mexico's, there would be every reason in the world for talented film professionals to stay in Kansas - working as an ongoing and reliable pool of professional crew members for major film and television productions, while simultaneously creating and developing an indigenous Kansas film industry.

I encourage you - urge you - to recommend House Bills 2442, 2443 and 2444 for passage.

Respectfully yours,

Ronald Parker  
7995 Woodrow Wilson Drive  
Los Angeles, CA 90046  
(323) 650-1610

**Lana Gordon - FW: House Bills 2442, 2443 and 2444**

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**From:** "Lana Gordon" <lanagordon@hotmail.com>  
**To:** <gordon@house.state.ks.us>  
**Date:** 2/20/2005 5:08:28 PM  
**Subject:** FW: House Bills 2442, 2443 and 2444

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>From: MRobe100@aol.com  
>To: lanagordon@hotmail.com  
>CC: CDMc122547@aol.com, flybarbaral@yahoo.com  
>Subject: House Bills 2442, 2443 and 2444  
>Date: Fri, 18 Feb 2005 21:09:21 EST  
>  
>The Honorable Lana Gordon  
>Chairwoman, House Economic Development Committee  
>Kansas House of Representatives  
>Statehouse  
>Topeka, Kansas 66612  
>  
>HEADING FOR TESTIMONY:  
> Testimony on HB 2442, 2443 and 2444 before  
>the  
> House Economic Development Committee by  
> Mike Robe  
>  
> February 22, 2005  
>  
>Chairwoman Gordon and Members of the Committee;  
>  
>I am Mike Robe. Though raised in Arkansas City, Kansas, I have resided in  
>Los Angeles, California, for the past thirty years. I am a film  
>director-writer; and have been a member of both the Directors Guild of America and the  
>Writers Guild of America for over two decades. I am an Emmy-nominated Producer as  
>well.  
>Over the years I have advised a succession of Kansas Film Commissioners on  
>the significant potential economic benefit of film production in the state; and  
>while the harvest has been cyclical, there have been periods of wonderful  
>reward. In 1987, I was able to steer to Kansas (as the writer and director of the  
>film) the production of "Murder Ordained," a CBS miniseries about Emporia  
>figure Tom Bird. At the time, I estimate we "left behind" in Kansas over 4  
>million dollars in production cash, paid into the regional economy. If you apply  
>the "trickle-down" effect of those dollars as recognized by most observers of  
>film financing, the real benefit to central Kansas at that time was something  
>like 20-40 million dollars. We came into the region; heavily utilized local  
>services and labor; consumed virtually no natural resources; polluted nothing;  
>and left the area much richer for the experience. Is that economic

House Economic Development  
Attachment 7

>development? You bet it is.

>In 1992, my own company, Jayhawk Productions, Inc., produced in the Johnson/Wyandotte County area the ABC miniseries, "Scott Turow's 'The Burden of Proof.'" Same result. Millions of dollars in economic benefit for the area with hardly a flicker of downside for those who serviced the production.

>In recent years it has been a more fallow period for states throughout the country who wanted to attract film production; primarily due to the growth of the global economy. Canada has made strong inroads in attracting film both by creating financial incentives and by benefiting from favorable rates of exchange. Other countries have gained toeholds; Australia, New Zealand and South Africa, for example.

>But the world keeps spinning; and suddenly, without question, there is a strong resurgence of interest in the U.S. production community to return to locales in the United States. There are states out there, right now and for the last two years, suddenly enjoying a wealth of production activity and reaping the rewards. They have gained this benefit with good old American ingenuity in the form of competitive incentives that have attacked and conquered many other competing governments in the world.

>In particular, New Mexico and Louisiana have jumped to the fore. New Mexico's program combines a tax rebate on production expenditures and the subsidizing of wages for local crewmembers with the availability of no-interest loans of up to \$7.5 million to qualifying productions.

>Louisiana's incentive package consists of an investor tax credit, a labor tax credit and a sales and use tax exclusion. When these credits are earned by an out of state film company, they are redistributed through an "allocation structure" - usually a limited liability company in which Louisiana taxpayers invest in return for the credits.

>Kansas should look hard at these highly successful states, recognize that it's a new world order, that suddenly one of the single smartest things a state can do - especially a right-to-work state with a sterling history of servicing film productions - is structure a plan that offers strong competitive incentives fit for the region, and act!

>Halfway commitments won't do. There is no hope to significantly compete in this arena without bold action. Other states have awakened and begun to stir: New Jersey, Missouri and Texas to name three. But Kansas has the experience and leadership to leap forward and seize this extraordinary opportunity. We have bright people who have tailored a plan that is right for Kansas, and right, now. An intelligent incentive plan in Kansas can and will lure bountiful outside production dollars, and perhaps more importantly, create an indigenous film industry within the state itself. Both goals are realistic, compatible and entirely attainable.

>All it takes - all filmmaking ever takes - is vision.

>I urge the Committee to recommend House Bills 2442, 2443 and 2444 favorably for passage, and thank you for this opportunity to present testimony.

>

>Sincerely,

>

>Mike Robe  
 >President, Mike Robe Productions, Inc.  
 >President, Jayhawk Productions, Inc.  
 >12711 Ventura Boulevard

>Studio City, California 91604  
>818-980-9838



February 22, 2005

Chairwoman Lana Gordon, House Economic Development Committee,  
and Members of the Economic Development Committee

Testimony on HB 2442, 2443 and 2444 before the  
House Economic Development Committee  
by Doug Curtis

My name is Doug Curtis. I had the great pleasure to meet before you on January 27, 2005, to talk about growing the film industry in Kansas. As you may remember I am a line producer in the motion picture business and I have been producing and directing feature films for nearly 25 years. My job as line producer is almost completely focused on finding ways to produce films for the lowest possible cost given all the elements that studios give me to work with. By that I mean, for example, the studio may tell me that they want to spend \$50,000,000 on a film but \$25,000,000 of that will be spent on the cast, the producer and the director; Above-the-Line costs. And another \$5,000,000 will be spent during the **editorial** process after the film has finished shooting. So my job is to find a way to prepare the film and then shoot the film for \$20,000,000. In this example the \$20,000,000 is going to be spent on what is known in the industry as Below-the-Line costs (I have included as part of this testimony a "Top Sheet" and several accounts from an actual film budget that was created for "Freddy vs. Jason" which as noted was shot entirely in Vancouver, British Columbia). These are the costs of hiring such crew members as electricians, grips, construction workers, camera operators and assistants, wardrobe personnel, hair and make-up, sound recordists, boom operators, assistant directors, extras, set dressers and on and on. These costs also include the cost of constructing sets providing all the trucks and cast trailers, purchasing all film stock and all costs that are associated with films stock and all camera equipment.

No matter what I have to work with the task is always daunting because it's never enough. That's why in recent years so many films have fled Hollywood for such low cost, alternative locations as Canada, Romania, Australia, South Africa and more. But, and this is a huge one, in the last year the US dollar has virtually tanked. 2 years ago I made a film in Vancouver, British Columbia, as noted above, and the currency exchange was 63 cents Canadian for every American dollar. That meant right the off the bat I was saving 37% of my production costs just as a result of the currency exchange. On top of that Canada was, at that time, offering an effective combined provincial and federal tax credit of approximately 24% of all production costs spent within British Columbia. As of this date the currency exchange is hovering around 82 to 85 cents Canadian for every American dollar. That means, of course, that now I would only be saving approximately 15 cents on the dollar to take my film to Canada. And when I calculate the costs of bringing certain key crew members such as the cameraman, the producers, the director and many of the cast members from Los Angeles, I am effectively off-setting any savings I might have seen as recent as two years ago.

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(Take a look at the budget accounts from "Freddy vs. Jason" that I chose to include in my testimony. Most of the money that was spent in accounts such as Extra Talent, Set Dressing, Set Construction, Wardrobe and Locations would be dollars spent in the state of Kansas. These are just a few of the many ways filmmakers spend money that never leaves the location where the movie was shot. And when you then take into account the trickle down effect which most states estimate to be \$6 for every \$1 dollar spent you can begin to see the impact on local economies.)

That's where states like Kansas come in. In the last two years certain states have seen the opportunity that the weak dollar has created for other locations and have successfully taken dramatic steps to lure Hollywood productions to their states. New Mexico, for instance, increased the total production dollars spent in 2002 of \$8 million dollars to \$80 million dollars in 2003, an increase of 1000% as a direct result of very aggressive incentives put into place by the state legislature and backed by Governor Bill Richardson. This year in his State of the State address Governor Richardson asked the state to commit an additional \$10 million to design, plan and build a film training institute to train New Mexicans in every facet of film production. He stated that it is his "goal to turn New Mexico into a media center capable of producing every kind of television or movie project, film, video, or digital from start to finish." That should also be the goal that Kansas strives for.

Other states such as Texas, Louisiana, Illinois, Arizona, Florida, and many more have either already instituted aggressive incentive plans or are asking their state legislators to do so. And in the states that have been farsighted enough to implement these incentives the results have been staggering.

Some Examples:

1. Louisiana – Production dollars spent in the state have increased from \$20 million in 2002, to \$335 million in 2004, as a result of aggressive tax breaks and tax credits that are available to Louisiana taxpayers in need of tax relief. First of all the state offers production companies a 10% employment tax credit for Louisiana hires for productions spending \$300,000 or more and 20% for those exceeding \$1 million. In addition to these incentives which are fairly common in most states vying for the film production dollars, Louisiana has come up with a way to sell *unused* tax credits that are given to film companies back to Louisiana tax payers who can then use these write offs on their year end taxes. The way it works is this: Louisiana gives production companies from out of state, tax credits of up to 15% of production costs. Since most of these companies are California based and normally pay less taxes than the credits are worth the production company is allowed to sell the excess tax credits to Louisiana based firms to reduce their taxes or to sell to individual taxpayers, usually in increments of \$10,000 who can then use the credits to reduce their personal taxes. The result has been an explosion in movie investment in Louisiana. The revenue that this tax incentive has created is far greater than the cost of implementing the incentive. The savings are dollar for dollar and hundreds of individual tax payers have begun to take advantage of the tax break and thereby increasing the number of films shooting in the state.

(I have included as part of this testimony a very comprehensive press release from the "Shreveport Times" explaining how these Louisiana tax incentives work and how successful they have been in attracting filmmakers to the state *and* involving individual investors from the state interested in investing in films.)

2. New Mexico – Offers a 15% film production tax credit on all direct production costs (this is much the same as described in your current HB2444) or the filmmaker can choose to take a gross receipts tax deduction. This amounts to a 6% deduction of sales tax at the point of sale on most direct production costs. New Mexico has also created a job training incentive program whereby the production company is given a 50% wage reimbursement when using qualified on-the-job trainees. This is an excellent incentive for states that are still struggling to grow their film crew base. And finally New Mexico offers up to a \$7.5 million investment/loan to film projects in New Mexico that offer a strong potential for generating returns. This is very much like your HB2442. And, as mentioned above, they are now attempting to build a state-of-the-art production and training center in the state.

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3. Texas – Governor Rick Perry is asking the legislature for \$30 million to be spent on new incentives to attract production business back to the state. Texas, because of the large crew base and the attractiveness of Austin, Texas, to film makers has long been a favorite destination for out of state film companies. But just as Kansas has seen revenues drop over the last many years, Texas is also beginning to feel the pressure from Louisiana and New Mexico. He says he intends to use two-thirds of the \$30 million to boost incentives and one-third to market Texas as “a true destination for film and television work”. (I have included with my testimony a recent article from the “San Antonio Business Journal” about Governor Perry’s recent announcement of his intention to infuse the state film budget with an additional \$30 million.)

One of the best examples of a successful destination for filmmakers in this country is Austin, Texas. Consider:

- Total economic impact of film and visual media of nearly \$360 million annually
  - Creation of 3,500 jobs annually
  - Generation of tax revenues of over \$1.2 million annually
  - 115 feature films have been shot in and around Austin since 1993 with budgets totaling \$914.4 million. Fifty percent of the film’s budget is spent directly in the community where the film is made. By this account, the film industry has directed roughly \$450 million into the Austin economy since 1993.
4. Illinois – In August of 2003, Governor Blagojevich signed a bill which provided a tax credit equal to 25% of the wages paid to Illinois residents working on television and film projects shot in Illinois. As a result of this incentive, film revenues in the state of Illinois soared 200% in 2004 over the previous year. Projects filmed in Illinois in 2004 generated \$77 million and created nearly 15,000 jobs. Prior to implementing this tax incentive Illinois had virtually lost it’s place as one of the most popular shooting locations in the country. (I have included with my testimony a press release from the office of the Governor of Illinois about the Senate bill which created the increase in film revenue in Illinois in 2004).

5.

So what can Kansas do to compete with these states? In a time where there is simply not enough film production dollars to go around I think the House Bills being discussed today are a far reaching first step. It is imperative that Kansas look at the *big picture*. Nothing in the bills being discussed today will negatively affect the state of Kansas from an economic point of view. But the potential revenue that they will create is enormous. As the states that I have used as examples have found there is tremendous revenue to be gained by being aggressive in the pursuit of film production from out of state.

Comments about the current bills being discussed today and other thoughts:

- HB 2442 – Kansas Film Production Growth Act. This would put Kansas on similar footing with New Mexico. By offering an investment of up to \$7,500,000 in film projects that qualify under the terms of the bill this would provide many filmmakers with a strong incentive to consider making their films in Kansas. Finding money through other sources such as banks who lend money to qualified filmmakers is a very difficult task for independent filmmakers in particular. This willingness to lend money for qualified films has been the cornerstone of the New Mexico plan. And as far as I know there is no other state that offers this very attractive incentive to filmmakers. As the bill would be written these loans would be fully guaranteed by pre-sales and various other means and there would be no negative effect to the state of Kansas. It would, however, immediately begin to attract filmmakers who might otherwise be looking to other states as the location for their films.
- HB2443 – Kansas Film Production Investment Tax Credit. This too seems like a very generous proposition. I have personally talked to a number of Kansans who are very interested in the growth of the film industry in the state and many of them seem able and even eager to invest in films which choose Kansas as their destination for filming. I believe that this bill is a great first step to giving those investors an incentive to invest. My one question is regarding the language on lines 40,41,42,43 which seems to restrict any one investment to a credit of \$50,000. Is there anyway of knowing ahead time what the effective amount of the investment would be with this restriction?



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- HB2444 – Kansas Film Production Tax Credit. This is in line with what other states are offering and is a very strong incentive to filmmakers. I would urge that you give the production company the option of choosing a sales tax exemption at the point of purchase for all goods used in the making of the film. This is much cleaner from a bookkeeping point of view and does not require an audit. It is done with coupons that would be distributed by the appropriate department in the state and overseen by a liaison to each film. This incentive is certainly better for the production company because it is a budget item that can be eliminated with a keystroke and the savings would be immediately available for other items in the budget.
- I would urge that HB2444 also offer the filmmaker a break on all lodging use taxes for stays of over 28 days. This may already be part of what the film commission offers.
- I would also do as New Mexico has done and offer a 50% wage reimbursement for all qualified trainees on films that shoot in Kansas. This is particularly important to Kansas because the film crew base is not particularly large at the moment. And the thing that will eventually make Kansas as attractive to filmmakers as Texas, New Mexico and Louisiana along with all of the incentives we are discussing, is a large and experienced base of film technicians.
- I think serious consideration should be given to the Louisiana plan whereby production companies would be allowed to sell back their tax credits to individual Kansas taxpayers or corporations who may be in need of additional tax breaks at years end. I know this is one that would take a lot study and consideration before implementing but it has created a huge boon to the Louisiana economy and I believe it would do the same for Kansas. If there is serious interest in pursuing this I would be more than willing to generate a great deal of additional information for you to consider.

7

- I think that HB2442 or a completely different bill should make at least a substantial investment in a state-of-the-art production and training facility. I think it could be and should be a matching fund kind proposition whereby a private investor or investors are given a substantial tax break (not unlike HB2444) to invest. I would make it a condition of the bill that the facility be built, promoted and operated by Kansans who intend to be on site and also be able to reap the eventual benefits of the success that such a facility would be sure to bring. I believe that along with all the other incentives that you are considering today this would be the icing on the cake. When filmmakers come to states such as Kansas they have to allow for contingencies such as bad weather. The way they deal with these possible problems is by creating what are called "cover sets". These are sets built on a soundstage and are available at anytime the filmmakers find themselves unable to shoot exterior scenes that may have been scheduled because of inclement weather conditions. And as we all know the weather in Kansas is subject to change on a moments notice. It would also create a wonderful training center for budding filmmakers who would have the opportunity to learn their crafts by being up close and personal with professional filmmakers in action.
- And finally, I think it is important that once all of these incentives are in place that the film commission or film office should be given wide powers to negotiate directly with filmmakers who are interested in coming to Kansas to make their films. Obviously they would be limited by the parameters laid down within each of the bills. But they would be the voice of the state of Kansas. This will streamline the process immensely by cutting the red tape that bureaucracy inevitably creates. Filmmakers don't want to hear "let me get back to you on that". When they begin to negotiate with a state they want to believe that they are talking a person with the ability to say yes or no to any request. Or to negotiate further if the request seems out of reach for the state.

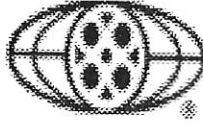
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I am so impressed with the efforts that are being demonstrated in this discussion today. These bills are so important that I only wish I could be there in person to lobby for them. There is no better time in the recent history of location filming to take advantage of all the possibilities that these bills will create for the economy of the state of Kansas. I know the film business is somewhat foreign (no pun intended) to many of you. But as a producer who has made films all over the world I can tell you that by implementing what is before you today you will put Kansas on track to becoming a major magnet for filmmakers everywhere. And the economic impact of such status will be enormous. Supporting home grown filmmakers is important. But it should not be done to the exclusion of the larger films which create the biggest economic impact in the state. Within what you are discussing today are the answers that will grow a strong local film community *and* create huge potential economic benefits to the economy of the state of Kansas. Now is the time to think big. If Kansas is willing to step into the competition with these incentives you will be rewarded with economic dividends that are, quite possibly, beyond your wildest imaginations. Thank you again for taking this next step toward creating a strong film community in Kansas. I sincerely hope that if you are unable to fully comprehend or agree on these bills in one day of testimony that it will not end there. These are incentives that will put Kansas in a powerful and unique place in the competition that is now being waged in every state in the country.

I will be available at any time if any of you would like further clarification of any of my comments. Please feel free to contact me via e-mail or phone if you want to discuss these issues with me.

Sincerely,

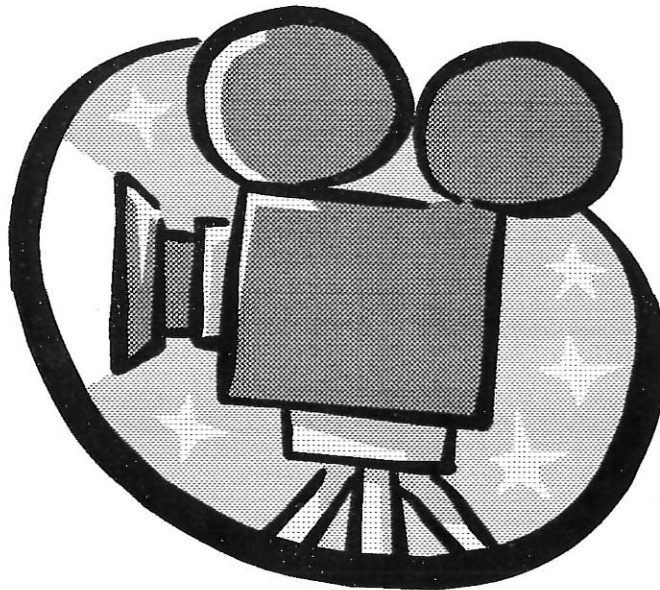
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**MOTION PICTURE ASSOCIATION OF AMERICA, INC.**

**2004 STATE-BY-STATE TAX INCENTIVES**

**FOR THE FILM INDUSTRY**



Compiled by Angela Miele  
Vice President, State Tax Policy  
amiele@mpaa.org  
908-668-9912

House Economic Development  
Attachment 9  
2-22-05

MPAA STATE BY STATE TAX INCENTIVES

STATE	TAX INCENTIVES January 26, 2005
<b>Alabama:</b>	State and local sales and use tax exemption for the purchase or lease of equipment, props, supplies, materials and services used in production. Additionally, no state and local lodgings tax for rooms used by production staff.
<b>Alaska:</b>	No state sales tax. No state individual income tax.
<b>Arizona:</b>	<p>A 50% Sales (transaction privilege) and use tax rebate on the purchase or lease of tangible personal property if producers spend over \$1 million in Arizona filming movies for theaters, TV, video, industrial or educational films, commercials or advertising. A second threshold of expenditures of \$250,000 applies to television commercial or advertising in commercials aired in two minutes or less. No withholding tax from wages of nonresidents engaged in any phase of motion picture production.</p> <p>No state tax on lodging after 30 days.</p>
<b>Arkansas:</b>	Full gross receipts and use tax refund on the purchase of property and services including lodging in connection with production costs. To qualify, a production company must spend at least \$500,000 within six months or \$1 million within 12 months in connection with the production.
<b>California:</b>	<p>No sales or use tax on production or postproduction services on a motion picture or TV film. No sales and use tax on services generally. Such industry specific services include writing, acting, directing, casting and storyboarding. A partial sales tax exemption (5% except for 2001, when it was 4.75%) on the purchase or lease of postproduction equipment by qualified persons.</p> <p>No sales and use tax on 45% of the charges for sets, including labor to design, construct and strike and no sales tax on the full charge for the rental of personal property.</p> <p>No state hotel tax on occupancy, however, cities or counties that impose a local tax have a tax exemption for occupancies in excess of 30 days.</p>
<b>Colorado:</b>	No sales and use tax on film company services if, in fact, the company is providing a service and not tangible personal property. No hotel Occupancy tax for hotel stays in excess of 30 days.
<b>Connecticut:</b>	Sales and use tax exemption for the purchase, lease, use storage or other consumption of motion picture, video production or sound recording equipment for



MPAA STATE BY STATE TAX INCENTIVES

<b>Connecticut: Cont.</b>	use in the state for production activities that become an ingredient of any motion picture, audio tape or recording produced for commercial entertainment. No hotel occupancy tax for hotel stays in excess of 30 days.
<b>Delaware:</b>	No state sales tax.
<b>Florida:</b>	Sales and use tax exemption for the purchase or lease of motion picture, video or other equipment (depreciable equipment with a useful life of at least three years) if used exclusively as an integral part of production activities in the preparation of motion pictures, tapes, TV or productions produced for commercial use or sale. If equipment and personnel used belong to the producer of a qualified motion picture, no tax on fabrication labor. Repair of motion picture equipment is exempt from tax if the equipment is used exclusively by the producer as an integral part of production activities. No state individual income tax.
<b>Georgia:</b>	Sales and use tax exemption for the purchase or lease of a wide range of production and postproduction equipment and services for use in qualified production activities in the state.
<b>Hawaii:</b>	A refundable income tax credit up to 4%, which is deductible from net income tax liability, of the costs incurred in the state in the production of motion picture and television films, and up to 7.25% rebate for the for transient accommodation tax (hotel room tax). Must spend at least \$2 million in Hawaii for motion pictures or at least \$750,000 to produce a television episode, pilot or movie of the week.
<b>Idaho:</b>	No hotel occupancy tax on hotel stays of 30 days or longer.
<b>Illinois:</b>	Sales and use tax exemption for products of photoprocessing produced for use in motion pictures for public commercial exhibition. (Effective 1/1/2004, a 25% income tax credit for Illinois labor expenditures (within a 12-month period), capped at the first \$25,000 in wages for each employee. The credit may not be carried forward or carried back and excludes the salary or wages paid to the two highest paid actors.) The 14.9% hotel tax is reimbursed for stays in excess of 30 days.
<b>Indiana:</b>	No hotel tax on stays of 30 days or longer.
<b>Kansas:</b>	No hotel tax on stays of 28 days or longer.
<b>Kentucky:</b>	Sales and use tax refund for purchases made by a motion picture production company in connection with filming in Kentucky if the company films or produces one or more motion pictures in the state during any 12-month period.

MPAA STATE BY STATE TAX INCENTIVES

<b>Louisiana:</b>	Sales and use tax exemption for a broad range of production expenditures; must spend a minimum of \$250,000 within a 12-month period (Effective 7/1/02-6/30/06). Provides an employment tax credit (10% if in-state payroll expenditures are between \$300,000 and \$1 million and 20% if in-state payroll exceeds \$1 million) against the aggregate payroll for Louisiana residents, must spend at least \$300,000 in a taxable year (expires 7/1/06). Transferable investor tax credit 10% of the investment made if it is between \$300,000 and \$8 million, 15% for investments in excess of \$8 million. After 30 consecutive days, the 14.9% hotel tax is reimbursed.
<b>Maine:</b>	Sales and use tax exemption for tangible personal property and services used primarily in production. Revenue Department Ruling in 2004 proclaimed film production a manufacturing process. Hotel occupancy taxes are rebated after 28 consecutive days.
<b>Maryland:</b>	State sales and use tax exemption for the purchase or lease of production or postproduction equipment, services, supplies, props and sets used in the production of motion picture, television, video, commercials and corporate films. No state sales tax for hotel stays in excess of 30 days.
<b>Minnesota:</b>	No sales tax on hotel stays of 30 days or more.
<b>Mississippi:</b>	Effective July 1, 2004. For all feature films, television projects, documentaries, or commercials: a 10% tax credit for payroll of in-state residents; a 10% rebate of all in-state production-related expenditures, excluding payroll; a reduced sales tax (7% to 1½ %) for motion picture equipment (camera, lighting, audio, projection, editing, etc.); a sales tax exemption for the purchase of film, videotape, set building materials, set dressing, props, wardrobe, fabric, make-up, most expendable items.
<b>Missouri:</b>	Provides a transferable/carry forward (5yrs) income tax credit up to 50% of expenditures in the state to a maximum of \$500,000 in tax credits per project. Productions must spend a minimum of \$300,000 in the state. \$1 million/year available for total credits. No sales tax on hotel stays after 31 days.
<b>Montana</b>	No state sales tax. No business equipment tax on motion picture related vehicles and equipment brought into the state for the first 180 days. State 7% accommodations tax rebate for stays in excess of 30 days.
<b>Nevada:</b>	No corporate or individual Income tax. Low hotel room tax.
<b>New Hampshire:</b>	No state sales tax. Individual Income tax on interest and dividends only.
<b>New Jersey:</b>	Sales tax exemption for all film and video related machinery and equipment as well

MPAA STATE BY STATE TAX INCENTIVES

<p><b>New Jersey: Cont.</b></p>	<p>as services of installing, repairing and maintaining the equipment, used directly in production and post production of motion pictures, television or commercials. Loan Guarantee Program up to a maximum of \$1,500,000 (or an amount no greater than 30% of any loan for the film project that is derived from other sources, whichever is less), to production companies if 70% of the shooting days are in the state and at least 50% of the below-the-line expenses are in state.</p>
<p><b>New Mexico:</b></p>	<p>State sales tax exemption on all production costs including set construction, wardrobe, facility and equipment rental, all production and postproduction services. State sales tax exemption on all production costs including set construction, wardrobe, facility and equipment rental, all production and postproduction services. A 15% refundable income tax credit on in-state film production expenditures. Producers must choose either the sales tax exemption or the 15% tax credit. Also, guaranteed investments may be considered for up to 100% of the estimated production costs, capped at \$7.5 million per project. Loan structures would have to be "fully and unconditionally guaranteed" by an entity with an investment grade bond rating; and equity structures require presales/distribution. After 30 days, the 4% lodgers tax is waived for hotel guests.</p>
<p><b>New York:</b></p>	<p>Comprehensive State, New York City and local sales and use tax exemption for machinery, equipment and services used in production and postproduction activities in the production of feature length films, television programs, music videos and commercials. Film and television and commercial productions receive tax exemptions whether they are produced and delivered electronically or in tangible form. Effective 8/20/04 a 10% corporate/partnership/individual income tax credit for film and television productions (no commercials or music videos) for below-the-line in-state expenses (and actors with non-speaking roles) if 75% of the aggregate sound stage work (excluding postproduction) is performed in a NY production facility at least 7,000 square feet. The credit is 50% refundable in the first year and fully refundable after 2 years. If less than \$3 million (excluding postproduction) is attributed to the production facility related costs, then 75% of the aggregate shooting days outside of the facility must be in NY in order for NY location costs to qualify for the credit. Credit is capped at \$25 million/calendar year, the cap is a rolling cap; if the cap is exhausted in one year the projects will be eligible in the following year on a first-come first-served basis. An additional 5% refundable tax credit against corporate, partnership, or unincorporated business tax liability, for taxable years beginning on or after January 1, 2005, against New York City tax liability with the same qualification parameters as the state credit. The City's annual credit cap is \$12.5 million.</p>
<p><b>North Carolina:</b></p>	<p>Reduced sales and use tax (1%) rate, on the purchase and rentals to motion picture production firms of cameras, films, set construction materials, as well as chemicals and equipment used to develop and edit film that is used to produce release prints. Full exemption for the purchase of film that becomes a component part of release prints sold or leased. The chemicals used to develop release prints and audiovisual master tapes used in production are also exempt from sales tax. Film production cost rebate program if you spend at least \$1 million, however funding has been suspended.</p>
<p><b>Ohio:</b></p>	<p>No state sales tax on hotel stays in excess of 30 days.</p>

MPAA STATE BY STATE TAX INCENTIVES

<p><b>Oklahoma:</b></p>	<p>Sales tax exemption on sales of tangible, personal property or services to a motion picture or television production company to be used or consumed in connection with a feature or television production. A rebate program provides up to 15% of eligible costs for film production in the state if an income tax return is filed there.</p> <p>The total payments will not exceed \$2 million per fiscal year. State sales tax rebate on hotel stays after 30 days.</p>
<p><b>Oregon:</b></p>	<p>No state sales tax. Lodging taxes waived for rooms held longer than 30 days. Other local incentives including parking rebate up to \$1,000 of parking fees incurred within Multnomah County (Portland area) for every 100-hotel room nights purchased.</p>
<p><b>Pennsylvania:</b></p>	<p>A 6% sales and use tax exemption for the purchase or rental of any tangible personal property and services in Pennsylvania used directly in the production or post production of a feature length commercial motion picture distributed to a national audience. Newly enacted assignable corporate, partnership or income tax credit equal to 20% of production costs including wages if in-state spending is 60% of aggregate production expenses for features and television productions. Three-year carry forward provision, total annual state credit disbursement capped at \$10 million/fiscal year. Applies to expenses incurred after 6/30/04 and before 12/31/12 and taxable years commencing after December 31, 2003.</p>
<p><b>Puerto Rico:</b></p>	<p>Up to a 40% investment tax credit is available for motion picture and television expenditures paid to Puerto Rico Businesses or below the line talent if at least 50% principal photography is in Puerto Rico. The credit is available for projects first approved by the Film Commission once applicants pay ¼ of 1% of the film's budget for a license. Local investors will partner with non-Puerto Rican based companies to help them access the investment tax credit.</p>
<p><b>South Carolina:</b></p>	<p>Effective 7/1/04, if you spend \$250,000 in-state: available sales and use tax exemption for the purchase of equipment and supplies and an exemption for the State accommodations tax (7%), if you spend \$1 million in-state you receive a five percent rebate for total aggregate payroll for persons (crew, actors, extras) subject to SC income tax withholding (excludes individual salaries of \$1 million or more) and a 7% rebate for purchases/rentals of certain in-state goods and services.</p>
<p><b>Tennessee:</b></p>	<p>Sales and use tax refund for out-of-state motion picture companies for goods and services purchased or rented in Tennessee if the company spends at least \$500,000 within a 12-month period.</p>

MPAA STATE BY STATE TAX INCENTIVES

<p><b>Texas:</b></p>	<p>Comprehensive sales and use tax exemption for purchased or rented equipment or services used in the production of a motion picture or a video recording for ultimate sale, license or broadcast (including cable broadcast). No sales tax on hotel rooms for stays in excess of 30 days.</p>
<p><b>Utah:</b></p>	<p>Beginning <u>July 1, 2004</u> state sales and use tax exemption for the purchase, lease or rental of machinery and equipment used in the production or postproduction of motion picture, television, music video or commercial productions. Transient room tax rebate on hotel stays of 30 days or more.</p>
<p><b>Vermont:</b></p>	<p>State sales and use tax exemption for the purchase or lease of goods and services used in the production of films, television programs or commercials. Credit for nonresident income tax for commercial film production if Vermont income tax exceeds income tax rate in the state of residence. No hotel or meal tax after 30 days.</p>
<p><b>Virginia:</b></p>	<p>Sales and use tax exemption for production services or fabrication in connection with the production of any portion of exempt audio/visual work, feature or made-for-TV films, programs, documentaries, commercials, etc. The purchase of tangible personal property including scripts, artwork, supplies, equipment and accessories are also exempt.</p>
<p><b>Washington:</b></p>	<p>Sales and use tax exemption for the purchase or rental of production equipment and services used in motion picture or video production or post-production. No sales and use tax on vehicles used in production.</p> <p>No tax on hotel stays in excess of 30 days. No state individual income tax.</p>
<p><b>Wyoming:</b></p>	<p>A list of Wyoming businesses offer production companies filming in Wyoming a 10% discount on production related services including hotels/motels, restaurants, caterers, etc. No tax on hotel stays in excess of 30 days.</p> <p>No state corporate or individual income tax.</p>

For individual state film office websites, visit: [Http://www.afci.org](http://www.afci.org)



## IMPROVING YOUR FILM VOCABULARY....

**Assistant Cameraman (A.C.)** -- the person responsible for the care and maintenance of the camera and all its associated pieces and parts. The first A.C. works closely with the operator and the Director of Photography at the camera, while the second A.C. is responsible for loading film and running the slate. Most D.P.'s have a favorite A.C. they regularly work with.

**Assistant Director (A.D.)** -- the person who directs and controls all the logistics involved in a film shoot which allows the director to concentrate on the creative aspects of the film. The A.D. breaks down the script into segments that can be shot on a single day and insures that people and equipment are on location and ready to work. The first A.D. is in charge of running the set once the shooting actually gets underway.

The second A.D. signs actors in and out, fills in paper work on how many scenes were shot, how many hours of overtime were worked and helps make the shoot run smoothly. The 2nd A.D. is also usually in charge of the production assistants.

**ADR Automatic Dialogue Replacement** -- a method of re-recording dialogue in sync with the picture after the film is shot. This is used to clean up a dirty sound track or when the location was too noisy to record a usable track. The ADR people can save a shot that might otherwise cost thousands of dollars to re-shoot.

**Art Director** -- sometimes called the production designer, is in charge of all setting, design, and construction for the production. The Art Director must work closely with the Costume designer to make sure the costumes work with the sets.

**Associate Producer** -- this is the person who can take over for the producer if that person becomes ill. In other words, a top assistant. The Associate Producer is usually the intermediary between the producer(s) and the actual shooting crew.

**Best Boy** -- this is the head electrician responsible for getting power to the set. The Best Boy works for the Gaffer.

**Boom Operator** -- the person who handles the microphones for the sound recordist or mixer.

**Camera Operator** -- this is the person who actually works the camera during the shot. On low budget films, the DP will also serve as the operator.

**Casting** -- this is the person or company responsible for supplying actors for the film. The producer and Director work with the casting agent to select the right person for the part.

**Costume Designer** -- the person behind the design of the costume.



**Hairdressers** -- just as the title implies, this person is responsible for styling the talents' hair. The hairdresser is always close at hand when the cameras are about to roll, to handle any last minute changes.

**Juicers** -- the rest of the electricians, they report to the Best Boy.

**Location Scout** -- the person who searches for the perfect location for a particular scene. This person also works with the transportation captain to make sure there is enough room to park the many vehicles required on a location shoot. A good location scout will know the script and the scenes to be shot, will work with the local officials to coordinate shooting requirements and generally make sure that all goes well while the unit is on location. A more fitting title would be location manager.

**Makeup** -- this person is responsible for getting the actors ready for that big close up. The job may include working with special effects people or wranglers (animals need makeup too). The makeup artist is always ready to make minor adjustments or dab off that little bit of perspiration at the last second before camera rolls.

**Mixer** -- the person who takes care of all sound levels, whether in a studio, on location, or in a post-production situation. In addition, the mixer is in charge of the rest of the sound crew on the set.

**Producer** -- the person in charge of a specific production, reporting the executive producer(s) and responsible for the day-to-day operation of the shoot.

**Production Assistant(s)** -- these are the runners, gophers, etc. on the set. Their job may range from holding back on-lookers during a take, to getting coffee for the director, to escorting the actors to the location. The P.A. may stand-in while a shot is blocked out, or round-up stray extras that have wandered off between takes. In general, the P.A. may be asked to do almost any task required to make the shoot run more smoothly.

**Production Manager** -- this person is responsible for making the business deals with the rest of the crew, getting several categories of prop persons: Special effects, Greensmen, Wranglers (for various animals), Boat handlers, etc.

**Recordist** -- on a big set, the person who does the actual recording of the sound. On most productions these days, due to simplification and miniaturization of equipment, this person and the mixer are one and the same.

**Screen Writer** -- this person writes a script from an existing book or story. He takes what someone else has written, and turns it into a movie version.

**Script Supervisor** -- or Continuity person, this person keeps track of how many takes are made of each shot and scene, how long they ran, who was in them, what lines of dialogue are changed, where the characters lifted hats, smoked cigarettes, drank etc. This person will also note the camera moves, lens, lens settings, and filters. He or she will yell out when an actor mangles a line and no one else has heard it, take a Polaroid shot of the scene so that clothes and colors will match if it has to be re-shot.

**Special Effects** -- special effects people are many and varied. Their jobs range from making sure the "Death Star" gets blown up, to creating just the right amount of rain for Gene Kelley to sing in. Special effects are either mechanical (break-away chairs), optical (in camera effects), or a combination of both.

**Stunt Coordinator** -- this is the person who is responsible for staging the stunts, and working with the stunt people. The Stunt Coordinator is responsible for the safety of all involved in the filming of a stunt.

**Transportation Captain** -- this is the person who makes sure that everyone gets to the location. He is responsible for all vehicle movement and parking, and will have several drivers working for him.

**Unit Manager** -- person who reports to the production manager or to the company's business manager and is responsible for the day-to-day financial operation. Sometimes functions as a location scout.

**Video Assist** -- this is becoming a big time and money saver on the film shoot. This person operates a small video system called a video tap that "looks" through the viewfinder of the camera, which allows the Director to see what the camera operator sees, assuring him that the take was as he visualized it.

**Wardrobe** -- not to be confused with the costume designer, wardrobe people handle the costumes on the set. There is usually one for men and one for women.

**Writer** -- the person who conceives the story line, the "treatment", or the actual script that is used.

**Craft Services** -- one of the most important jobs on the film for maintaining crew morale; this person has snacks, soft drinks, coffee, etc. available close to the set.

**Director** -- the Director is responsible for the artistic and creative aspects of the film, translating the written word into a visual product. The director must work with the actors and the technicians to insure that his vision of the scene is properly related to the audience.

**Director of Photography (D.P.)** -- is responsible for the look for the film, he works with the lighting director setting up shots and camera moves, directs the lighting of the scene with the Gaffer and is responsible for the camera team. It is the ultimate responsibility of the DP to insure that the scene is properly recorded on film.

**Dolly Grip** -- this is the person responsible for getting the dolly and associated hardware prepared for the shot, then operating the dolly during the shot.

**Editor** -- the editor is the individual responsible for cutting the film together. There usually is more than one editor on a large film. The editor works closely with the Director.

**Executive Producer** -- the person in charge of the production from top to bottom. This title is usually reserved for someone who has helped raise the money or who is responsible for several productions.

**Focus Puller** -- this is sometimes, but not always, the first A.C.'s job, the puller is responsible for insuring that the image recorded on the film is always in proper focus as prescribed by the D.P. This means adjusting focus during the shot.

**Foley Artist** -- a sound effects artist who works on a special "Foley" Stage where sound effects are recorded to match the visuals in the film. Gun shots, doors closing, feet walking and windows breaking are just a few of the effects produced by the Foley Artist.

**Gaffer** -- the gaffer works with the Director of Photography and is responsible for lighting the scene. The gaffer knows lighting and lighting equipment. Most D.P.'s have a favorite Gaffer that they regularly work with.

**Grip** -- the grips are the backbone of the film shoot, they work with the lighting department, and the camera team. They are responsible for camera supports, rigging, moving equipment and assisting in the production. The Key Grip is the head of the grip department. The Dolly Grip specializes in dolly moves.

States that Kansas most frequently competes with in the United States:

<b>Colorado:</b>	No sales and use tax on film company services if, in fact, the company is providing a service and not tangible personal property. No hotel Occupancy tax for hotel stays in excess of 30 days.
<b>Illinois:</b>	Sales and use tax exemption for products of photoprocessing produced for use in motion pictures for public commercial exhibition. (Effective 1/1/2004, a 25% income tax credit for Illinois labor expenditures (within a 12-month period), capped at the first \$25,000 in wages for each employee. The credit may not be carried forward or carried back and excludes the salary or wages paid to the two highest paid actors.) The 14.9% hotel tax is reimbursed for stays in excess of 30 days.
<b>Kansas:</b>	No hotel tax on stays of 28 days or longer.
<b>Missouri:</b>	Provides a transferable/carry forward (5yrs) income tax credit up to 50% of expenditures in the state to a maximum of \$500,000 in tax credits per project. Productions must spend a minimum of \$300,000 in the state. \$1 million/year available for total credits.  No sales tax on hotel stays after 31 days.
<b>Nebraska:</b>	No hotel occupancy tax for stays in excess of 30 days.
<b>Oklahoma:</b>	Sales tax exemption on sales of tangible, personal property or services to a motion picture or television production company to be used or consumed in connection with an eligible production. An "eligible production" is defined as all television productions (but no commercials) TV pilot or on-going series televised on a network or a feature-length motion picture intended for theatrical release. A rebate program provides up to 15% of eligible costs for film production in the state if an income tax return is filed there. The total payments will not exceed \$2 million per fiscal year.  State sales tax rebate on hotels after 30 days.
<b>Texas:</b>	Comprehensive sales and use tax exemption for purchased or rented equipment or services used in the production of a motion picture or a video recording for ultimate sale, license or broadcast (including cable broadcast). No sales tax on hotel rooms for stays in excess of 30 days.

- North Dakota, South Dakota, Nebraska, and Iowa have no incentives.

The most aggressive states' recently passed film incentives:

<p><b>Illinois:</b></p>	<p>Sales and use tax exemption for products of photo-processing produced for use in motion pictures for public commercial exhibition.          (Effective 1/1/2004, a 25% income tax credit for Illinois labor expenditures (within a 12-month period), capped at the first \$25,000 in wages for each employee. The credit may not be carried forward or carried back and excludes the salary or wages paid to the two highest paid actors.)          The 14.9% hotel tax is reimbursed for stays in excess of 30 days.</p>
<p><b>Florida:</b></p>	<p>Sales and use tax exemption for the purchase or lease of motion picture, video or other equipment (depreciable equipment with a useful life of at least three years) if used exclusively as an integral part of production activities in the preparation of motion pictures, tapes, TV or productions produced for commercial use or sale.</p> <p>If equipment and personnel used belong to the producer of a qualified motion picture, there is no tax on fabrication labor. Repair of motion picture equipment is exempt from tax if the equipment is used exclusively by the producer as an integral part of production activities.</p> <p>No state individual income tax</p>
<p><b>Louisiana:</b></p>	<p>Point-of-sale sales tax exemption for a broad range of production expenditures, must spend a minimum of \$250,000 within a 12-month period (Effective 7/1/02-1/1/06). Provides an employment tax credit against the aggregate payroll for Louisiana residents, must spend at least \$300,000 in a taxable year (Effective 7/1/02-6/30/06). Transferable Investor tax credit. After 30 consecutive days, the 14.9% hotel tax is reimbursed.</p>
<p><b>New Mexico:</b></p>	<p>State sales tax exemption on all production costs including set construction, wardrobe, facility and equipment rental, all production and post production services. State sales tax exemption on all production costs including set construction, wardrobe, facility and equipment rental, all production and post production services. As of 1/1/2002, a 15% refundable income tax credit on in-state film production expenditures. Producers must choose either the sales tax exemption or the 15% tax credit. Also, guaranteed investments may be considered for up to 100% of the estimated production costs, capped at \$7.5 million per project. Loan structures would have to be "fully and unconditionally guaranteed" by an entity with an investment grade bond rating; and equity structures require presales/distribution. Film workforce training and mentorship programs are available.</p> <p>After 30 days, the 4% lodgers tax is waived for hotel guests.</p>



<p><b>North Carolina:</b></p>	<p>Reduced sales and use tax (1%) rate, on the purchase and rentals to motion picture production firms of cameras, films, set construction materials, as well as chemicals and equipment used to develop and edit film that is used to produce release prints. Full exemption for the purchase of film that becomes a component part of release prints sold or leased. The chemicals used to develop release prints and audiovisual master tapes used in production are also exempt from sales tax. Film production cost rebate program if you spend at least \$1million, however funding was suspended.</p>
<p><b>Texas:</b></p>	<p>Comprehensive sales and use tax exemption for purchased or rented equipment or services used in the production of a motion picture or a video recording for ultimate sale, license or broadcast (including cable broadcast). No sales tax on hotel rooms for stays in excess of 30 days.</p>
<p><b>Utah:</b></p>	<p>Beginning <u>July 1, 2004</u> state sales and use tax exemption for the purchase lease or rental of machinery and equipment used in the production or post-production of motion picture, television, music video or commercial productions. Industrial Assistance Fund, a demonstration post-performance rebate program allows up to 1,000,000 to be paid to the filmmaker after production is completed if they meet specific criteria. Transient room tax rebate on hotel stays of 30 days or more.</p>