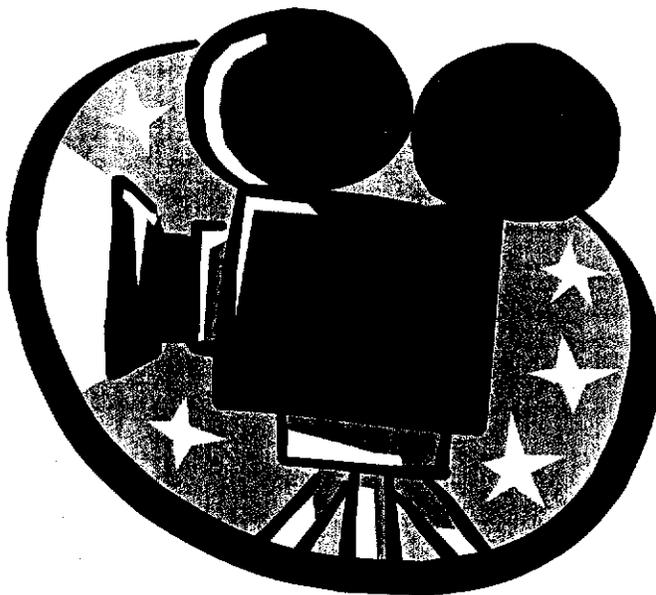




MOTION PICTURE ASSOCIATION OF AMERICA, INC.

2004 STATE-BY-STATE TAX INCENTIVES

FOR THE FILM INDUSTRY



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MPAA STATE BY STATE TAX INCENTIVES

STATE	TAX INCENTIVES January 26, 2005
Alabama:	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.
Alaska:	No state sales tax. No state individual income tax.
Arizona:	<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>
Arkansas:	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.
California:	<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>
Colorado:	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.

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<p>Connecticut:</p> <p>Connecticut: Cont.</p>	<p>Sales and use tax exemption for the purchase, lease, use storage or other consumption of motion picture, video production or sound recording equipment for 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.</p>
<p>Delaware:</p>	<p>No state sales tax.</p>
<p>Florida:</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. 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.</p>
<p>Georgia:</p>	<p>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.</p>
<p>Hawaii:</p>	<p>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.</p>
<p>Idaho:</p>	<p>No hotel occupancy tax on hotel stays of 30 days or longer.</p>
<p>Illinois:</p>	<p>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.</p>
<p>Indiana:</p>	<p>No hotel tax on stays of 30 days or longer.</p>
<p>Kansas:</p>	<p>No hotel tax on stays of 28 days or longer.</p>

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Kentucky:	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.
Louisiana:	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.
Maine:	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.
Maryland:	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.
Minnesota:	No sales tax on hotel stays of 30 days or more.
Mississippi:	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.
Missouri:	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.
Montana	No state sales tax.

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	<p>No business equipment tax on motion picture related vehicles and equipment brought into the state for the first 180 days.</p> <p>State 7% accommodations tax rebate for stays in excess of 30 days.</p>
Nevada:	No corporate or individual Income tax. Low hotel room tax.
New Hampshire:	No state sales tax. Individual Income tax on interest and dividends only.
<p>New Jersey:</p> <p>New Jersey: Cont.</p>	<p>Sales tax exemption for all film and video related machinery and equipment as well 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>
New Mexico:	<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>
New York:	<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</p>

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	<p>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>
North Carolina:	<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>
Ohio:	<p>No state sales tax on hotel stays in excess of 30 days.</p>
Oklahoma:	<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>
Oregon:	<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>
Pennsylvania:	<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>
Puerto Rico:	<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</p>

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	<p>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>
South Carolina:	<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>
Tennessee:	<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>
Texas:	<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>
Utah:	<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>
Vermont:	<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>
Virginia:	<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>
Washington:	<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>

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	No tax on hotel stays in excess of 30 days. No state individual income tax.
Wyoming:	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. No state corporate or individual income tax.

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