



State of Louisiana

LOUISIANA ECONOMIC DEVELOPMENT

SENATE TAXATION

EXHIBIT NO. 10DATE 4-12-05BILL NO. HB 584Kathleen Babineaux Blanco
GovernorMichael J. Olivier
Secretary

March 29, 2005

Dear Members of the Committee:

I understand that you are debating the merits of a tax incentive for the film industry for the State of Montana. The State of Louisiana implemented a very successful film production tax credit in 2002. I run the Governor's Office of Film and Television Development, the office that oversees the tax credit and promotes Louisiana as a location for the motion picture industry.

Louisiana saw film production more than triple in the first full year the program was in place. Production in Louisiana was averaging \$30 million a year prior to the passage of our tax incentive, but 2003 brought over \$100 million in direct production spending and employed 1600 people. The results were even more impressive in 2004, with production expenditures reaching \$240 million dollars, and the employment of over 2800 full-time crew members.

The 2004 Academy award winning film Ray, was filmed entirely on-location in Louisiana. The film is set primarily in Georgia, but it was our talented film crews, great locations, and of course our tax incentive that brought Ray to Louisiana to produce an Academy caliber film and to spend 40 million dollars in Louisiana.

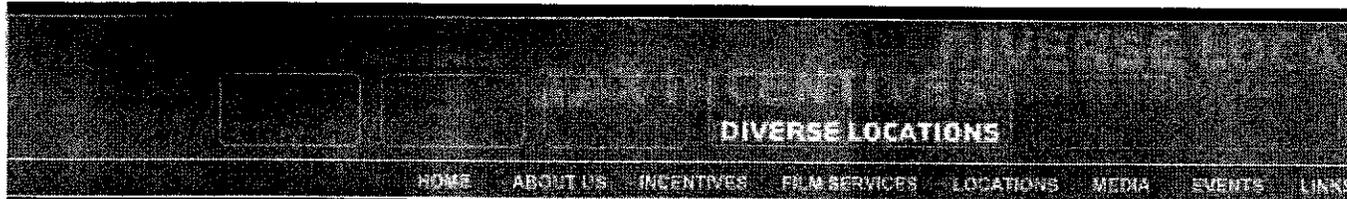
Louisiana's success has proven that the film industry is a viable and lucrative source of economic development for states with a willing labor force, and a competitive tax credit for the film industry.

Sincerely,

Handwritten signature of Mark S. Smith in cursive.

Mark S. Smith esq.
Entertainment Industry DirectorPost Office Box 94185, Baton Rouge, Louisiana 70804-9185
1051 N. 3rd St. - 70802Phone (225) 342-3000 <http://led.louisiana.gov>

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NEWS & PRESS RELEASES

Filmmakers keep rolling into La. to cash in on tax incentives (New Orleans City Business) -- 01.19.2005

2004 Year in Review. Filmmakers keep rolling into La. to cash in on tax incentives. 2004 is the year Louisiana officially became Hollywood South.

by Richard A. Webster.

Two years after the Legislature passed the Louisiana Motion Picture Incentive Act, production companies large and small flocked to the state to take advantage of the tax breaks.

Walt Disney Pictures, Warner Bros., Universal, Dreamworks and Miramax all produced feature films in Louisiana and another 16 made-for-television movies were produced.

Alex Schott, director of the Governor's Office of Film and Television Development, said 2004 was the best year in the history of the Louisiana film industry.

Prior to introducing the tax incentives, Louisiana generated between \$20 million and \$30 million in movie productions annually. The tax incentives helped the film industry's economic impact blossom to \$300 million over the past two years, Schott said.

Malcolm Petal, president of the Louisiana Institute of Film Technology, a New Orleans-based production company, said a \$70 million production slate of theatrical releases allowed LIFT to increase its output nearly tenfold over this year.

"The state is busting out a whole new sector of our economy," he said.

Major films now in production in Louisiana include the \$60 million "All the King's Men" starring Sean Penn and Jude Law; "The Dukes of Hazzard" starring Jessica Simpson, Burt Reynolds, Johnny Knoxville and Willie Nelson; and "Last Holiday" starring Queen Latifah and LL Cool J.



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Monday 28th March, 2005

New Mexico reaps millions from films

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Big News Network.com Thursday 30th December, 2004 (UPI)

Film productions have generated \$162 million in revenue for New Mexico in the past two years, Gov. Bill Richardson said Thursday.

An unprecedented 25 films have been made in New Mexico, establishing the state as an international leader in the film industry, the governor said in a statement.

Richardson praised the New Mexico Film Office and the state's incentives for attracting the film business. He said he would ask

the Legislature to expand the incentives in the upcoming session.

Local film crews have grown from less than 100 to more than 600 members in the past two years. More workers are being trained through the Governor's Film Technician Training Program.

Among three films currently in pre-production is an untitled Warner Bros. film, directed by Niki Caro and starring Academy Award winners Charlize Theron, Sissy Spacek and Francis McDormand.

Coming Soon to a Screen Near You: New Mexico

By SIMON ROMERO

Published: January 26, 2004

ALBUQUERQUE - As many cash-short states reduce financing for their film offices, New Mexico is headed defiantly in the opposite direction. Blessed with a budget surplus, the state has started one of the nation's most aggressive film incentive programs, resulting in a flurry of projects like the somber "21 Grams" from Alejandro González Iñárritu and "The Missing," a violent tale of abduction, from Ron Howard.

The New Mexico Film Office estimates that filmmaking in the state - counting salaries, lodging, food and transportation - generated \$80 million in spending in 2003, up from \$8 million a year earlier. With several more projects planned this year, Frank Zúñiga, director of the film office, said, "I have every confidence that we'll have double the financial impact in 2004."

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1/26/2004

Iversen, Sten

From: Brenda Sexton [BSexton@ildceo.net]
Sent: Monday, March 28, 2005 10:32 AM
To: Iversen, Sten
Subject: Illinois Film Office

Sten;

Our tax credit legislation went into effect January 1, 2004. In the first twelve months our production increased from \$25 million in 2003 to \$77 million in '04. Jobs went from 5,000 to 15,000.

Our tax credit program is revenue neutral, so there has been no drain on the state coffers. We are hoping to improve the legislation in this upcoming session.

I've attached a summary of our existing program.

Good luck,

Brenda Sexton
Managing Director
Illinois Film Office

Illinois Film Production Services Tax Credit Act

Fact Sheet

The Illinois Film Production Tax Credit provides a 25% tax credit on Illinois Income Tax for wages paid by a production company to **each** employee that is an Illinois resident. Production companies must be willing to promote diversity by hiring a percentage of minorities or participating in a job-training, education or recruitment program to meet those goals.

Tax credit eligibility

- Limited to the first \$25,000 of wages paid to each employee of the production
- Threshold for minimum amount of wages paid per production:
 - \$100,000 for productions of 30 minutes or longer;
 - \$50,000 for productions 30 minutes or less
- Excludes salary for the 2 highest paid employees of the production.
- The tax credit has to directly contribute to the production filming in Illinois

Application requirements:

Written applications will be required and must be submitted **prior** to filming activity on the standard application form provided by the Film Office. Applications shall be submitted to the Film Office location stated on the application. The applicant must provide the following information:

- Production Title, shooting script, type of production,
- Length of production, number of shoot days in Illinois.
- Total budget of production
- Estimated total salary and wages
- Percentage of minority workers in Illinois that the Applicant plans to employ to perform work on the production and intention to participate in training, education and recruitment programs
- Documentation showing that the credit is essential to the decision to film in Illinois

Who is excluded from tax credit?

- News, current events, weather, market reports or public programming
- Talk shows, game shows, questionnaire or contest format productions
- Sports events
- Awards shows, galas, or telethons

Questions: What if the applicant that is not an Illinois Taxpayer

The Applicant may use one of the following structures in order to be eligible for the Credit:

- An Applicant may establish a partnership or an LLC (limited liability company)
- An Applicant may establish a subsidiary company
- The production can enter into a partnership agreement with an entity that has sufficient tax liability to utilize the credit. The partnership would then become the applicant for the tax credit. The terms of the partnership may include that in consideration of monetary compensation to the production company, 100% of the tax credit will be utilized by the other entity in the partnership, or allocated between the partners in any other percentages specified in their partnership agreement. It is not necessary that the expenses of the production be paid directly or indirectly by the partnership itself.
- The production may submit the initial application for a tentative determination that the project is accredited. The identification of the partnership as being the applicant for the credit can be delayed until the request for the final tax credit certificate.

For more information contact the Illinois Film Office at 312-814-3600

25 March 2005

Mr. Sten Iverson
Director
Montana Film Office
301 South Park Avenue
Helena, MT 59620



Dear Sten,

Congratulations on your success in drafting and presenting film tax incentive legislation there in Montana. House Bill 584 is a fine piece of legislation that should help you attract and develop the film industry there in Montana.

As you know our incentive legislation became law on July 1, 2004. We have one feature film going through the process with our tax commission now, and we are preparing to qualify a commercial to begin the process. Knowing that our development of the film industry is a long-term commitment, we have chosen to take a very careful and methodical approach to the implementation of our incentive program. We felt it prudent to see how the process of the credit and rebate worked "in real life" before making a big media push. We wanted to provide the clearest and simplest model before going to the industry.

That said, even though we have not made that industry push, we have found ourselves engaged in more development conversations with producers and production companies than we have in the last five years or so. We have scouted numerous projects and have hosted location surveys for four features. There has been interest from several individuals looking to relocate and establish production companies. There has been increased understanding of and support for the film program throughout the state. Just the fact of the incentives has changed the perception of what this industry is capable of doing in the communities and for the economy of Mississippi.

As we continue and as more information becomes available, I will be happy to share it with you. Just as I was able to learn from the successes of other countries and states, I look forward to continuing our conversations regarding Montana. Please don't hesitate to contact me whenever I can be of assistance.

Best,

Ward Emling
Director
Mississippi Film Office

