

PERFORMANCE AUDIT

Big Sky on the Big Screen Act: Montana's Film Incentive Program

Department of Commerce

Department of Revenue

SEPTEMBER 2011

11P-08

REPORT SUMMARY

While the Big Sky on the Big Screen Act will sunset January 1, 2015, controls could be strengthened to ensure ineligible production companies do not receive tax credits.

Context

The Big Sky on the Big Screen Act (Act) was passed by the Legislature in 2005. The Act was established to revitalize the motion picture and television industries in Montana by offering incentives to production companies for filming in Montana. Incentives are offered in the form of refundable tax credits for employing Montana residents and purchasing Montana goods and services. The Montana Promotion Division within the Department of Commerce and the Business and Income Taxes Division within the Department of Revenue administer the Act.

To qualify for the Act, a production company must meet statutory eligibility requirements. The Department of Commerce is responsible for approving eligibility through its certification process. The Department of Revenue is responsible for verifying and approving the production company's expenditures and ensuring the accuracy of the tax credit amount claimed.

The following table shows the level of activity related to the Act including the number of productions certified for the incentive, the number of productions that claimed the tax credit, and the amount of tax credit claimed.

Montana's Film Incentive Statistics

Calendar Years 2005-2010

Years	Certified Productions	Productions that Claimed Credits	Tax Credit Claimed
2005	7	1	\$2,702
2006	15	7	\$193,760
2007	17	13	\$171,011
2008	25	8	\$70,190
2009	12	4	\$42,072
2010	12	3	\$28,697
Totals	88	36	\$508,432

Source: Compiled by the Legislative Audit Division from Department of Commerce and Department of Revenue data.

Results

Audit work determined controls over the Big Sky on the Big Screen Act could be strengthened to ensure production companies comply with statutory requirements. Specific areas are discussed below.

During our review of the Department of Commerce's certification process we determined not all productions had a complete application. Since applications were not complete, we could not verify whether the production met statutory requirements of the Act. The Department of Commerce should strengthen controls to ensure the production

company meets statutory requirements before being certified. Additional recommendations related to the certification process include, ensuring the production is certified prior to the start of principal photography, ensuring the application aligns with statute, and establishing rules for the certification process. By strengthening controls, the Department of Commerce will be better able to ensure all productions certified for the Act meet statutory requirements.

Audit work also determined the Department of Revenue could improve its controls over the Act. Recommendations made to the Department of Revenue include ensuring production companies meet statutory requirements prior to issuing the tax credit. Specific areas include ensuring the production company submits expenditure and payroll records in a timely manner, pays the \$500 application fee, and certifies it has paid all Montana vendors.

When comparing the Act to other states' film incentive programs, we determined Montana's program is similar to those in comparable states; however, it does not have a program or production cap limiting the fiscal impact on the state. Without legislative action, the Act will sunset on January 1, 2015.

Recommendation Concurrence	
Concur	7
Partially Concur	0
Do Not Concur	0
<b>Source: Agencies audit response included in final report.</b>	

For a complete copy of the report (11P-08) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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