



# Film in Montana

The Montana Film Production Industry  
Examining the MEDIA Act and Tax Credit Cap

## Agenda

- 2022 Economic Impact Study Overview
- Enhancing Economic Development Outcomes in Montana
- Modeling Tax Credit Cap Scenarios
- Key Takeaways and Recommendations

## Key Terms

- Qualified Tax Incentive Spend
- Montana Spend
- Multipliers
- Economic Impact
- Tax Revenue as a percent of GDP
- Return on the Tax Credit

## Data Collection

### Data Sources

- Actual spend estimates from productions
- Total approved tax credit spending from the Montana Department of Revenue (in aggregate)
- Estimates using the Association of Film Commissioners International (AFCI) when only shoot day information was available
- Interviews with producers and industry leaders
- Evaluation of industry average spending profiles based on production type and duration

### Types of Data Collected

- Spend by county for each production
- Total compensation (MT resident and non-resident)
- Total purchasing on goods and services (local and non-local)
  - Rentals
  - Food service/catering
  - Per diems
  - Hotels
  - Other

## Methodology

ESI used IMPLAN, an industry-standard input-output model to evaluate economic impact:

- **Indirect effect:** Some proportion of that expenditure goes to the purchase of goods and services from local vendors. Local purchases of goods and services support local vendors, who in turn require additional purchasing with their own set of vendors. **Example: A production company needs to purchase goods and services from other businesses, such as catering.**
- **Induced effect:** Some proportion of the expenditure that goes to labor income gets circulated back into an economy when those employees spend some of their earnings on various goods and services. Some of those goods and services will be purchased from local vendors, further stimulating a local economy. **Example: The production company's employees spend the income they earn on housing, groceries, utilities, etc.**
- The total economic impact of Montana film activity is the sum of its own direct economic footprint, plus the indirect and induced effects generated by that direct footprint.

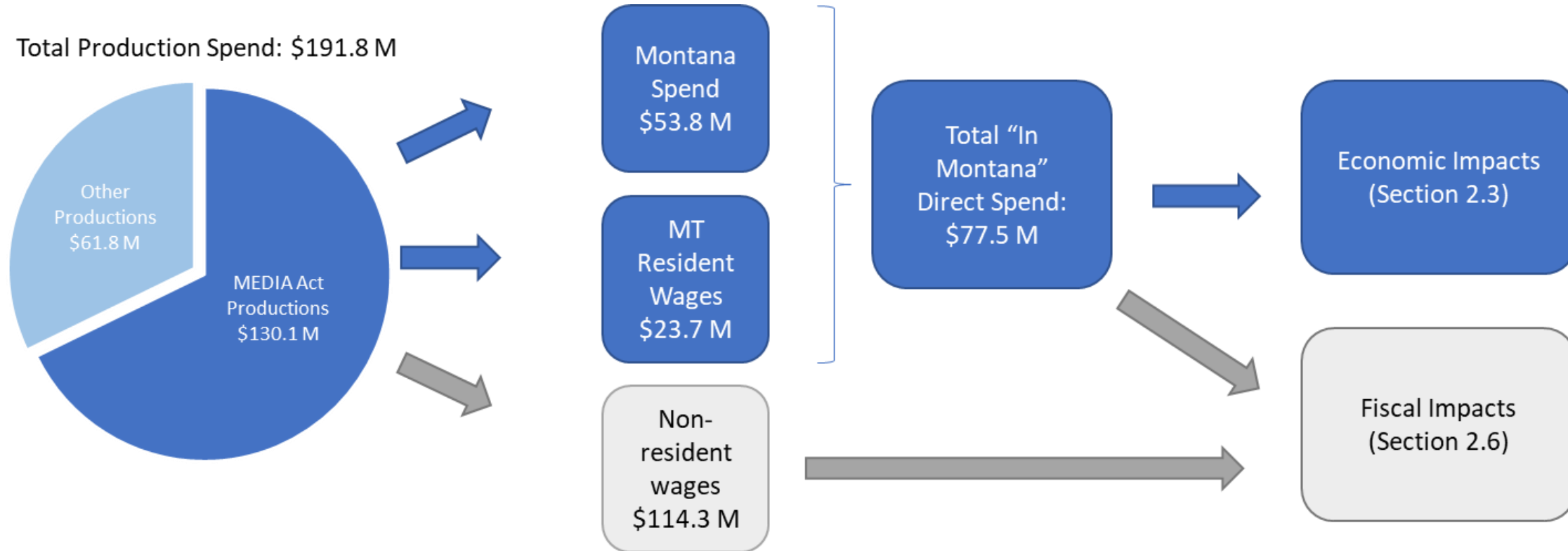


## Sizing the Industry

- 195 total productions evaluated
- 32 productions were certified to participate in the MEDIA Act Tax Credit program
- 33 counties were home to a production, or about 59 percent of all counties in the state

Production Type	Number of Productions	Total Production Spend	Total MT Production Spend	MT Spend on Emp Comp	MT Spend on Goods/Services
MEDIA Tax Act Productions	32	\$130.1	<b>\$42.6</b>	\$8.6	\$34.0
Other MT Productions	163	\$61.8	<b>\$34.9</b>	\$15.1	\$19.8
Total	195	\$191.8	<b>\$77.5</b>	\$23.7	\$53.8

## Estimated Production Spending



## Economic Impact: Output Multipliers

	Other Productions	MEDIA Act Tax Credit Productions	All Productions
Direct Output (\$M)	\$34.9	\$42.6	<b>\$77.5</b>
Indirect and Induced (\$M)	\$36.0	\$40.4	\$76.4
<b>Total Impact (\$M)</b>	<b>\$71.0</b>	<b>\$83.0</b>	<b>\$153.9</b>
Direct Jobs Supported (FTE)	190	160	350
Indirect and Induced Jobs Supported (FTE)	270	220	490
<b>Total Jobs Supported (FTE)</b>	<b>460</b>	<b>380</b>	<b>840</b>
<b>Total Employee Compensation Supported</b>	<b>\$25.5</b>	<b>\$15.9</b>	<b>\$41.5</b>

Production Type	Qualified Production Spend Multiplier	MT Spend Multiplier
MEDIA Tax Act Productions	1.18	1.90



## Tax Revenue Impacts: Proportion of Credit to Qualified Spend

### Revenues Generated

	Previous (January 2019- June 2020)	Current (July 2020- June 2022)	Total to Date
State Revenues (\$M)	\$2.0	\$12.0	\$14.0
Local and County Revenues (\$M)	\$1.5	\$4.6	\$6.1
<b>Total Revenues (\$M)</b>	<b>\$3.5</b>	<b>\$16.6</b>	<b>\$20.1</b>

### Net Tax Impact

	State Revenue	All Jurisdictions (State, County, Local Combined)
Total Estimated Tax Revenue to Date (\$M)	\$14.0	\$20.1
Total Credit Validated to Date (\$M)	\$20.3	\$20.3
<b>Net Tax Revenues (\$M)</b>	<b>-\$6.3</b>	<b>-\$0.2</b>

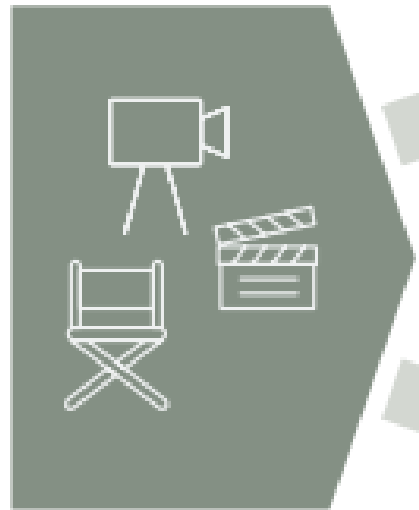
Total Qualified Spend: \$130.1M

Total Credit Validated: \$20.3M

Qualified Spend Proportion: 15.6%

# Film Industry Spending in Montana: Growing an Ecosystem

## Direct Spending on Film Productions



### Indirect Economic Activity

- Small and Local Business Spending
- Hotel and Hospitality Industry Support
- Ecosystem of Production-Related Businesses



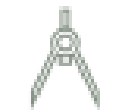
### Induced Economic Benefit

- Cast and Crew Spending
- Increased Tourism



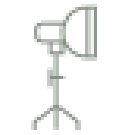
### Related Indirect Benefits

- Attracts Outside Investment in Montana Communities
- Draws Interest in Studio Development



### Related Workforce Benefits

- Reduces Brain Drain
- Supports Training and Skill Building of Local Cast and Crew



## Creates a Competitive Film Industry that Attracts Further Outside Investment and Additional Local Job Support



## The Model

<b>Tax Credit Cap</b>	<b>\$12,000,000</b>	<b>\$ 20,000,000</b>	<b>\$ 30,000,000</b>	<b>\$ 60,000,000</b>
Average Qualified Tax Incentive %	15.6%	15.6%	15.6%	15.6%
Equivalent Qualified Expenditure to Consume Cap	\$76,923,077	\$128,205,128	\$192,307,692	\$384,615,385
Multiplier	1.18	1.35	1.5	1.65
Total Economic Impact to Montana	\$90,769,231	\$173,076,923	\$288,461,538	\$634,615,385
State & Local Tax Revenue as % to GDP	15.0%	15.0%	15.0%	15.0%
Potential State and Local Tax Revenue	\$13,615,385	\$25,961,538	\$43,269,231	\$95,192,308
Net Return on Tax Credit Investment	\$1,615,385	\$5,961,538	\$13,269,231	\$35,192,308
Return on Tax Credit	13%	30%	44%	59%
<i>Potential State Revenue</i>	<i>\$9,530,769</i>	<i>\$18,173,077</i>	<i>\$30,288,462</i>	<i>\$66,634,615</i>
<i>Net Return</i>	<i>(\$2,469,231)</i>	<i>(\$1,826,923)</i>	<i>\$288,462</i>	<i>\$6,634,615</i>

- Significant growth in industry means growing capacity in vendors and labor force
- Like all economic development incentives, the MEDIA Act Tax Credit requires consistent and sustained investment to see returns
- Major investments in infrastructure and workforce development require continued commitment and competitive investment from the State to produce the virtuous cycle that will accelerate the industry
- While we recommend an increased cap to draw in additional out-of-state spending, focus on incentivizing local spend. For example, the Montana logo credit bump could be shifted to apply only to local qualified spend (purchasing), encouraging more local investment.

Thank you for your time!

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