

MINNESOTA

Growing the Film & Television Industry

MINNESOTA WAS ONCE IN THE TOP FIVE STATES for film and TV production, and producers know that this is a great place to work. We have a unique northern climate and an amazing variety of locations, infrastructure, accessibility, trained professional talent, and support services. The only thing preventing production from coming back is the lack of incentive from the state.

■ This is a Serious Industry

The U.S. media and entertainment industry is a \$703 billion market, and is expected to reach \$804 billion by 2021. About 75% of the industry is motion pictures and television. That's an estimated \$600 billion. According to the Motion Picture Association of America, film and TV supports 2.6 million jobs (927,000 direct industry jobs and 1,673,000 indirect industry jobs), paying \$177 billion in wages. On a state basis, one of the most thriving film/TV industries is in Georgia, where the annual impact is \$9.5 billion (as big as Hormel), and they employ 92,000 people (twice as many as General Mills), and support more than 300 individual businesses. Georgia has grown its film/TV industry using a strong state incentive.

■ Missed Opportunities

Over the past few years, Minnesota has missed out on a potential \$150 million in film and TV projects because we lack a robust incentive program. In the last year alone, Minnesota has been considered for dozens of projects from studios like Disney and Warner Bros. Those projects ultimately went to states with tax credit incentive programs, representing a loss of nearly \$100 million in new spending in the state.

■ Future Demand

Film & TV production is almost entirely shut down, at the very time when consumers have been devouring content. There is an enormous backlog of productions, and there will be a flood of work once the pandemic is over. We should act now to be poised to take advantage of these new opportunities by enacting a competitive tax incentive program.

Incentives increase production volume, providing good middle-class jobs (many of them union jobs) from a variety of trades and professions, and work for many indirect industries. 31 states now have an incentive. There are two basic kinds of incentives: rebates and tax credits.

■ Rebates

Minnesota's current incentive is a rebate program, which offers productions cash back on qualified expenditures. Funding comes from an appropriation by the state legislature. Rebate incentives work well for lower budget films, commercials, and other short-term projects. But because the amount available for a rebate incentive program can vary from year to year, it is very difficult to build a sustainable, long-term industry using rebates alone. The time from initial pitch of an idea to a project being shot is often two years or more. The industry needs to know that incentive program will be there when production commences. Minnesota's rebate programs, dependent on direct legislative appropriation, is unstable, making it impossible for us to maintain a sustainable, long-term industry. It is not competitive with states like Illinois, Louisiana, and Georgia, which offer tax credits.

■ Tax Credits

In contrast to rebates, tax credits **do not require an appropriation**. When, and only when, a production company spends money in the state, the company earns a credit against state taxes. The state does not spend any money; it simply waives collection of a portion of taxes **that would not otherwise be generated**. The state gains, not loses, tax revenue. Do not be confused by a "fiscal note." That shows the estimated amount of tax that the state would forego, but that DOES NOT reflect a loss in revenue.

A transferable tax credit has been shown to be the most effective type of incentive. Since most production companies do not have significant state income tax liability, the tax credit can be sold, typically at a discount of 8% to 15%, to a business that can use the credit on its state income tax return. It's a win-win-win: the state gets tax revenue from production that would not otherwise occur; the production company receives cash through the process of selling the credit, and the purchasing business gets a tax credit that is more than they paid for it. Eight states, including Georgia, Pennsylvania, and Nevada, have transferable tax credit incentives, and they offer the additional attraction of having no "sunset" provision, which makes their incentive very reliable for producers.

This IS NOT a partisan issue. Both "red" and "blue" states have successful film/TV incentives. In Georgia, a traditionally "red" state, conservative legislators have been strong supporters of the tax incentive and of the film/TV industry. Legislators on both sides of the aisle should appreciate the wisdom of bringing a stable, multi-billion-dollar industry to the state.

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About SAG-AFTRA

SAG-AFTRA represents approximately 160,000 actors, announcers, broadcast journalists, dancers, DJs, news writers, news editors, program hosts, puppeteers, recording artists, singers, stunt performers, voiceover artists and other entertainment and media professionals. SAG-AFTRA members are the faces and voices that entertain and inform America and the world. A proud affiliate of the AFL-CIO, SAG-AFTRA has members in Minnesota and nationwide working together to secure the strongest protections for entertainment and media artists into the 21st century and beyond. Visit SAG-AFTRA online at sagaftra.org.

