



 THE UNIVERSITY OF IOWA

State Incentives for Film Production Companies

Film production companies can have a significant impact on a state's economy by purchasing goods and services and employing in-state residents. This I-CAN report looks at several incentives states use to attract film production companies. Additionally, it examines how Iowa compares with other states and it summarizes two recent proposals considered by the Iowa Legislature.

Sales and Use Tax Exemption¹

The most common incentive for film production companies is a sales tax exemption for "qualified" in-state expenditures.² There are currently 27 states using this incentive:³ Alabama, Arizona, Arkansas, California (partial), Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Kentucky, Maine, Maryland, Mississippi (partial), New Jersey, New Mexico, New York, North

¹ Miele, Angela. "2006 State-by-State Tax Incentives for the Film Industry." Motion Picture Association of America. 1/19/06

² Although the definition among states varies, purchases are generally termed "qualified" for a sales tax exemption if they are purchases for materials deemed "directly related" or "necessary" to the production of a film. Such materials include, but are not limited to, cameras, televisions, tapes, props, and set-construction materials.

³ "State Sales Tax Rates." Federation of Tax Administrators. Accessed 10/14/06.

<http://www.taxadmin.org/fta/rate/tax_stru.html>.

Note: After adding the five additional states without a sales tax (AK, DE, MT, NH, OR), there are 32 states without a sales tax for film production companies.

Carolina (partial), Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, and Washington.

Tax Credits: 3 Types

The most prevalent tax credit allows film production companies to claim a credit worth a percentage of their total qualified in-state expenditures, including wages paid to in-state residents. Other states offer a credit worth a percentage of a film production company’s payroll for in-state residents. Finally, some states allow those investing in a production company to claim a credit worth a percentage of their investment. Figure 1 lists the states that use one of these three types of tax credits.

Figure 1:
State Film Production Tax Credit Rates⁴

	All Expenditure	In-State Payroll	Investment
Arizona	10-20%	-	-
Georgia	9-12%	-	-
Hawaii	15-20%	-	100%
Illinois	-	25%	-
Indiana	-	-	10%
Louisiana	-	10%	25%
Maryland	-	50%	-
Massachusetts	20-25%	-	-
Mississippi	10%	-	-
Missouri	50%	-	-
Montana	8-12%	-	-
New Jersey	20%	-	-
New Mexico	15%	-	-
Oklahoma	15%	-	-
Oregon	10%	-	-
Pennsylvania	20%	-	-
Rhode Island	25%	-	15-25%
South Carolina	-	15%	-

Hotel Tax Exemption⁵

There are 23 states, including Iowa, that offer a hotel tax exemption for stays of 30 days and longer: Colorado, Connecticut, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Minnesota, Missouri, Montana, New Mexico, Ohio, Oklahoma, Oregon, Texas, Utah, Vermont, Washington, and Wyoming.

There are five additional states that offer hotel tax exemption for stays of any length: Alabama, Alaska, Arizona, California, and South Carolina.

⁴Miele, Angela. “2006 State-by-State Tax Incentives for the Film Industry.” Motion Picture Association of America. 1/19/06.

⁵ Miele, Angela. “2006 State-by-State Tax Incentives for the Film Industry.” Motion Picture Association of America. 1/19/06.

Notable Ways State Incentives May Differ⁶

Spending Threshold for Eligibility: Some states require a film production company to surpass a designated amount of in-state expenditures before becoming eligible for one of their film production incentives. For example, both Oklahoma and Oregon require film production companies to spend over \$1 million in in-state expenditures to become eligible for their “all expenditure” tax credits.

Limits on Incentives: Most states have an annual cap on their total amount of film production incentives, typically around \$10 million. Additionally, some states cap the amount of incentives for any one production, varying from \$250,000 to \$2 million.

Tiered Incentives: Several states have tiered incentives. For example, Arizona and Georgia each offer higher rates for their “all expenditure” tax credits as the total amount of expenditures increases. In addition, Oklahoma offers a higher rate for their “all expenditure” tax credit as the percentage of a film production company’s in-state employees increases.

Film Production Incentives in Iowa and Recently Proposed Legislation

Although film production companies can take advantage of Iowa’s hotel tax exemption after stays of 30 or more days, Iowa is one of 15 states currently without any specific incentives for the film production industry.

In 2006, bills were introduced in the Iowa House and Senate that included several of the types of incentives described in this report. The bills, neither of which reached the floor, are summarized below:

House File 2767: The film production company would be given a sales tax exemption for qualified in-state purchases of materials directly related to the production of their film. However, film’s deemed “obscene” under the Iowa Code would not be eligible.

Senate File 2283: The film production company producing a film registered by the Iowa Film Office would be offered a 25% tax credit for qualified in-state purchases, a sales tax exemption for qualified in-state purchases, and a 180-day vehicle registration fee waiver for vehicles used in the production of their film. Additionally, those investing in the production company’s film would be offered a tax credit of 10% of their investment.

This report was prepared in October, 2006 by the Iowa Civic Analysis Network (I-CAN), a non-partisan public policy undergraduate research group at the University of Iowa. For additional research on this or other issues, please visit our website at <http://www.uiowa.edu/~ican> or contact us at studorg-i-can@uiowa.edu.

⁶ Ibid.