

Maryland Film Production Employment Act – Tax Credit

Annual Report

Pursuant to Tax General Article §10-730

Submitted by

Maryland
Department of Business and Economic Development

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Overview

During the 2011 Maryland General Assembly, Senate Bill 672 - Maryland Film Production Employment Act of 2011 (Act) was introduced and subsequently signed into law. The Act repealed the existing Film Production Rebate Program and replaced it with a tax credit for qualified direct costs of qualified film production activities including feature films and TV series. Under the Act, the Department of Business and Economic Development (DBED) can award a maximum of \$7.5 million in credits in each fiscal year. Qualifying production activities are eligible for a tax credit of up to 25% of the qualified direct costs for a feature film, and 27% for a television series. If the amount of the tax credit exceeds the total tax liability in the tax year, the entity can claim a refund in the amount of the excess. The Act became effective on July 1, 2011 and terminates on July 1, 2014.

The Act requires DBED to report on specific data before January 1 of each year. Pursuant to Tax General Article § 10-730 the report must include:

- (1) the number of film production entities submitting applications;
- (2) the number and amount of tax credit certificates issued;
- (3) the number of local technicians, actors, and extras hired for film production activity during the reporting period;
- (4) a list of companies doing business in the State, including hotels, that directly provided goods or services for film production activity during the reporting period; and
- (5) any other information that indicates the economic benefits to the State resulting from film production activity during the reporting period.

In the first six months of the program, four production companies applied for and were qualified to receive a Maryland Film Production Employment Act Tax Credit. One production has submitted a letter of intent stating that they will be returning to Maryland for another season of a television series. Only one of those four applicants, season one of HBO television series *VEEP*, has completed production in the State. They finished filming on December 6, 2011. Companies have 180 days after the conclusion of the film activity in the State to submit ALL closing documentation, including a Report on Agreed Upon Procedures by an independent CPA. DBED does not anticipate receiving closing documentation from this production until April, 2012.

Attached is the Maryland Film Office's tracking report for productions which have applied for a Maryland Film Production Employment Act Tax Credit since its inception. All productions have been qualified and approved to receive a tax credit and have either been issued a preliminary tax credit certificate or a letter of intent indicating the maximum amount of tax credit for which the company is eligible and the fiscal year from which those credits will be drawn. The final tax credit amount will be determined based on the company's actual qualified direct spend after the conclusion of the film production activity in the State.

The attached chart indicates projected spend, estimated hires, estimated wages, anticipated production days and the maximum tax credit amount for each company. This information is taken directly from the applications for tax credit submitted by the production companies.

As under the past program, the data from the productions that have completed production and submitted closing documentation during this fiscal year will be included in the annual report submitted to the Governor and General Assembly at the end of the year as dictated by the statute.

Further information regarding the Maryland Film Production Employment Act Tax Credit process and be found on the Maryland Film Office website at <http://www.marylandfilm.org/FilmProductionEmploymentAct.html>

Appendix A - Maryland Film Production Employment Act – Tax Credit