

2008 Annual Report



Missouri
Film
Commission

2008: The Year in Review



2008 brought many changes to the Missouri Film Commission. Three new members joined the nine member Commission. Representative Leonard Jonas Hughes (D- K.C.) replaced Representative Bruce Darrough (D – Florissant). Mr. Bill Lennon (Branson) and Mr. Shawn McClaren (K.C.) joined the commission, replacing H. Morley Swingle (Cape Girardeau) and long-time commissioner, Mr. Jan Parkinson (K.C.).

During the year 2007, a number of important revisions to Missouri's Film Production Tax Credit Program (135.750, RSMo) were passed by the Missouri legislature. On January 1, 2008, the following revisions took effect:

1. The annual cap on available film production tax credits increased from \$1,500,000 to \$4,500,000.
2. The rate that a film can earn for qualifying expenditures made in Missouri dropped from 50% to 35%.
3. The revised statute eliminated the \$1,000,000 cap on tax credits per film project.
4. The spending threshold required to qualify for the Missouri tax credit program dropped from \$300,000 to \$100,000 for projects longer than 30 minutes, and \$50,000 for projects shorter than 30 minutes.

These changes all reflected the Commission's recommendations for ways to attract more film and motion media production to Missouri in order to create additional high-paying jobs, to increase revenue for the state and to enhance the long-term development of a self-sustaining film and motion media industry in Missouri.

The changes in Missouri's Film Production Tax Credit Program are already having an impact. For every dollar in tax credits extended by Missouri in 2008, nearly \$3 have already been spent in-state by film production companies since no tax credits are provided until a film's production expenditures have been verified by the Department of Economic Development. In addition, DED calculates an economic multiplier of around 2 for films produced in Missouri. This means that for every \$1,000,000 directly spent in Missouri by a film, about \$2,000,000 ripples through the economy. Altogether, if \$4,500,000 in available tax credits are extended in a given year, nearly \$27 million dollars will ripple through the state economy as a result of Missouri's revised Film Production Tax Credit Program. In addition to the increase in funding available for the film production tax credit program, an important breakthrough in the interpretation of the existing tax credit statute also occurred this year. At the request of the Missouri Film Office, the Department of Economic Development reviewed their policies and agreed that workers who pay state taxes on the wages which they earn while working on a film shot in Missouri may be counted as a qualifying expense toward film production tax credits. This interpretation of the statute will make Missouri far more appealing as a film location, especially for those films looking to shoot in Kansas City or St. Louis where a large proportion of the local film production crew-base lives in Kansas City, Kansas or on the Illinois side of the Mississippi River. During 2008, the Film Commission worked to increase funding for the Missouri Film Office which is absolutely vital to the promotion and successful oversight of Missouri's film production tax credit program.

The 2008 legislative session yielded an increase to the operating budget for the Film Office from \$150,000, to \$250,000. Special recognition and thanks should be given to the four legislative members of the Commission – Senators Norma Champion and Maida Coleman, and Representatives Mike Sutherland and Jonas Hughes – for their tireless efforts in this regard.

In addition, the Missouri Film Office moved back into the Department of Economic Development in Jefferson City. After a conversation between the Commission, DED and the University of Missouri, it was determined that the Director of the Film Office, Jerry Jones, and his Assistant Director, Andrea Sporcic, would remain employees of the University of Missouri, Columbia where the Film Office has been housed since 2005. This arrangement allowed the Director and the Assistant Director to preserve their retirement benefits. However, this outcome did affect the funds available for marketing and operations of the Film Office in FY09. Because the Director and Assistant Director were not officially state employees, \$100,000 was held back and not made available for use by the office. This leaves only \$35,000 to operate the Film Office after salaries and benefits are covered. This issue will be reviewed during the new fiscal year, and the Commission will make a recommendation to the 2009 legislature regarding the best way to handle the retirement benefits for the two Film Office employees.

During 2009, the Film Commission intends to pursue two primary initiatives:

1. Development of a jobs creation program designed to train Missourians for meaningful employment in the film and motion media industry.
2. Increasing the total tax credits available to attract more film and motion media production to Missouri.

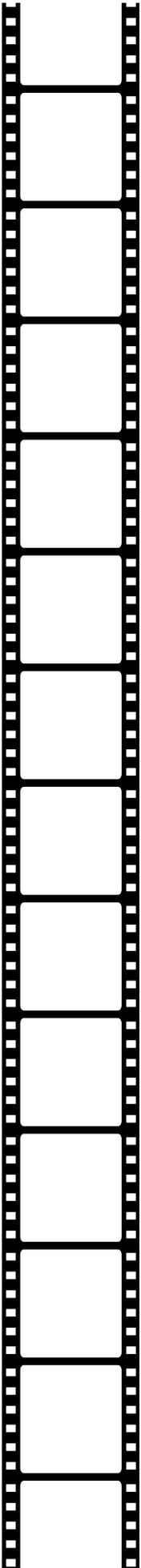
The Commission has already begun to explore ways that Missouri's community colleges and universities can partner with labor unions and private industry to train a new generation of film and motion media workers. On December 30, 2008, Jerry Jones, Director of the Film Office, and I met with the Missouri Community College Association in Kansas City to present a proposal to create a job training program for film and motion media technicians.

The Film Commission understands the importance of having a well-educated work force in place in order to persuade additional film producers to choose Missouri as a production location. Set carpenters, sound and film technicians, grips and electricians, hair and makeup stylists, location managers, and a host of other skilled workers will be needed for future film and motion media projects.

The Film Commission will also recommend a modest increase in the annual cap on film production tax credits. Raising the cap will allow Missouri to increase the total number of films and motion media projects shot in-state. This need is persuasively illustrated by the fact that all \$4.5 million in available tax credits for 2009 have already been allocated. Increasing the total amount of film production tax credits available will result in additional economic impact from film and motion media production in Missouri, help to generate good new jobs for Missourians, and contribute to the development of a new high-tech, self-sustaining film and motion media industry in the state.

In conclusion, the Missouri Film Commission will continue to advise the Director of the Department of Economic Development on other ways to promote the development of a film industry in Missouri. We shall strive to provide sensible recommendations both to the Director of the Department of Economic Development and to the Governor on ways to remove economic barriers in order to promote film and motion media production in Missouri. And we will continue to explore ways to attract private investment in film production infrastructure throughout the state.

Mark Biggs, Chair
Missouri Film Commission



Historical Background of the Commission

The Missouri Film Commission was created in 1983 to attract film, television, video and cable productions to Missouri, and to promote the growth of the film and video production industry within Missouri. The mission of the Missouri Film Commission is to encourage capital investment to develop a viable infrastructure for film, television, and digital media production in Missouri. The ultimate goal of the Commission is to achieve a self-sustaining production industry that will increase employment opportunities and generate additional revenue in the state.

Commission Primary Responsibilities:

RSMo 620.1200 states two main responsibilities for the board:

- 1) Advise the Director of the Department of Economic Development on the promotion of the development of film production and facilities in Missouri.
- 2) Provide an evaluation report to the governor and the general assembly, including any recommendations on the removal of barriers so that film production in Missouri may be more easily promoted and the development of state incentives to attract private investment in film production in the state.

Commission Membership Commissioners

Chairman Mark M. Biggs, Springfield
Senator Norman Champion, Springfield
Senator Maida Coleman, Saint Louis
Representative Leonard Jonas Hughes, Kansas City
Representative Mike Sutherland, Warrenton
James Palumbo, Saint Louis
Shawn McClaren, Kansas City
Cindy Sheltmire, Columbia
Bill Lennon, Branson

Department of Economic Development Support Staff

Marcy Mealy, Boards and Commissions Coordinator
Brenda Horstman, Finance Team Manager
Melody Worley, Finance Team Incentive Specialist
Grey Jackson, Finance Team Incentive Specialist

Missouri Film Office

Jerry Jones, Director
Andrea Sporcic, Assistant Director



Missouri Film Commission Meetings

Four Commission meetings were held in 2008 on the following dates and at the following locations:

| | |
|--------------------|-------------------------------------------------------------|
| February 25, 2008 | Conference Call, Governor's Office Building, Jefferson City |
| June 9, 2008 | Governor's Office Building, Jefferson City |
| August 4, 2008 | Governor's Office Building, Jefferson City |
| September 29, 2008 | Chateau on the Lake, Branson, MO |

The Missouri Film Office



The Missouri Film Office supports the objectives of the Commission by marketing the state to filmmakers across the country (and internationally) while providing a full range of support services designed to attract individual film projects to the state. The Missouri Film Office is backed by a strong and eager network of local contacts that help meet daily production needs throughout the state.

The Missouri Film Office provides the following services:

Scouting

The Film Office researches and documents any type of location background and supplies photographs or videotape shot to your specifications. You will be accompanied to the suggested locations and arrange for any necessary clearances.

Pre-Production

The Film Office provides detailed information on state and local film regulations, weather, production services, crew, talent, facilities, equipment and various support services such as hotels, caterers, transportation, etc.

Liaison

The Film Office works closely with the various federal, state and local officials, as well as institutions, private businesses and individuals to ensure your shoot is hassle-free.

Recommendations

The Film Office analyzes the economic impact that each film applying for production tax credits may have in Missouri and makes recommendations to the Department of Economic Development about which projects should receive tax credits.



Film Production Tax Credit Program

The Missouri Department of Economic Development (DED) film production tax credit program is capped at \$4.5 million per year. The Department may issue film production state income tax credits equaling up to 35% of the company's certified Missouri expenditures required to make a film, and (by policy) 30% for qualifying out-of-state cast and crew expenditures.

The qualifying film production company must spend \$100,000 for films over 30 minutes in length and \$50,000 for films under 30 minutes in length in Missouri (i.e., payments made to Missouri companies, organizations or individuals) in order to qualify for the tax credit. Only those Missouri expenditures that are necessary for the production of the film are applicable. Such expenditures may include, but are not limited to, the costs for labor, services, materials, equipment rental, lodging, food, location fees and property rental.

The tax credits may be applied against state income taxes (excluding withholding taxes) or financial institution taxes. The credits can be applied by the original recipient against such tax liability, or they may be sold or transferred to another taxpayer and applied by the transferee against their tax liability. The credits may be used for the tax period during which they are earned and can be carried forward for up to five additional tax periods.

Making Economic Sense of the Film Production Tax Credit Program

1. Missouri's Film Production Tax Credit program is unlike many other tax credits. No tax credits are extended until a film shoots in Missouri and spends production money on Missouri labor, equipment, or other necessary production expenses.
2. Missouri's Film Production Tax Credit Program is specifically designed to create high-tech / high paying jobs for Missourians and to stimulate the formation of a self-sustaining film production industry in Missouri.
 - a. Currently 42 states offer some form of film production tax credit or rebate program. Many of these states have shown that targeted tax credit programs can effectively act as an economic or job stimulus packages rather than as give-away programs.

Missouri Film Production Tax Credit History

| Year | Tax credits awarded | Total Dollars spent in-state by each film |
|------|---------------------|-------------------------------------------|
| 2007 | \$ 1,393,149 | \$ 3,599,998 |
| 2006 | \$1,500,000 | \$ 4,500,000 |
| 2005 | \$1,500,000* | \$ 2,700,000 |
| 2004 | \$ 950,000 | \$ 1,900,000 |
| 2003 | \$ 950,000 | \$ 19,000,000** |
| 2002 | \$ 600,000 | \$ 1,400,000 |
| 2001 | \$ 700,000 | \$ 1,400,000 |
| 2000 | \$ 400,000 | \$ 800,000 |
| 1999 | \$ 80,000 | \$ 160,000 |

* \$1M cap originally -- raised to \$1.5M in 2005

** In 2003, one film, *the Game of their Lives*, accounted for \$17 million spent in Missouri

3. In the *Annals of Tourism Research*, researchers concluded that, on average, a location featured in a successful film could expect to see visitors increase by an average of 54% over the next four years. Occasionally the impact on tourism generated by a successful film can last even longer. The *Smithsonian Magazine* reported in 2006 that seventeen years after the release of the baseball film, *Field of Dreams*, 60,000 to 65,000 visitors still travel to Dyersville, Iowa to visit the baseball field carved out of a cornfield featured in the film.



Film Commission: 2009 Recommendations

The Missouri Film Commission has determined that creating a labor pool of qualified film production workers and raising Missouri's film production tax credit cap will benefit the state by increasing economic activity and by creating high paying jobs for Missourians. Judging from the on-going success enjoyed by other states using tax credit programs to incentivize film production, the Film Commission believes that Missouri's tax credit program can also be used effectively to stimulate the creation of a brand new high-tech film production industry in Missouri.

The creation of a job training program to prepare Missourians for careers in production will be an important additional step in creating this new production industry. But a successful outcome will depend largely upon the state granting access to additional tax credits. It will be nearly impossible to build a self-sustaining film production industry in Missouri if the state continues to cap the program at the current \$4,500,000.

Given the economic reality of film production in the U.S. today where 42 states now offer some form of tax incentive program, Missouri must be willing to compete wisely if we hope to secure a fair share of the billions of dollars that are spent on film and motion media in America every year. The Missouri Film Commission believes that the entertainment industry is worth pursuing aggressively for the following reasons.

Professor Claire Wright notes the following information in her article published in volume 39, No. 3 of the Akron Law Review:

"The entertainment industry clearly is one of the most important industries in the U.S. Historically, it has made a substantial contribution to both the U.S. gross domestic product and U.S. export sales. In 2002, the entertainment sector employed approximately 4.7 million people and generated sales of over half a trillion dollars. This constituted more than five percent of the U.S. gross domestic product.*"

In its 2006 economic impact report, the Motion Picture Association of America reported that over 1.3 million American jobs were created by the film and television industry in 2005 and that these jobs generated \$30 billion in wages for American workers. In 2007, the MPAA reported that the total domestic box office receipts for motion pictures in America surpassed \$9.6 billion dollars and that worldwide box office receipts set a new record, topping \$26.7 billion dollars.

The positive economic impact that film production can have at the state level may be seen clearly in the stories of several states.

In 2008, the Illinois Department of Commerce and Economic Opportunity reported that:

"In 2000, Illinois began suffering a mass exodus of the film industry as other states began enacting film incentives. By 2003, the Illinois film industry had fallen to an all-time low of \$23 million. In response, Gov. Blagojevich enacted the Illinois Film Tax Credit. Since its passage, the film industry has rebounded dramatically. The film industry reached an all-time record of nearly \$155 million in 2007. This represents the single best year in the state's history - and an 80 percent increase over 2006."

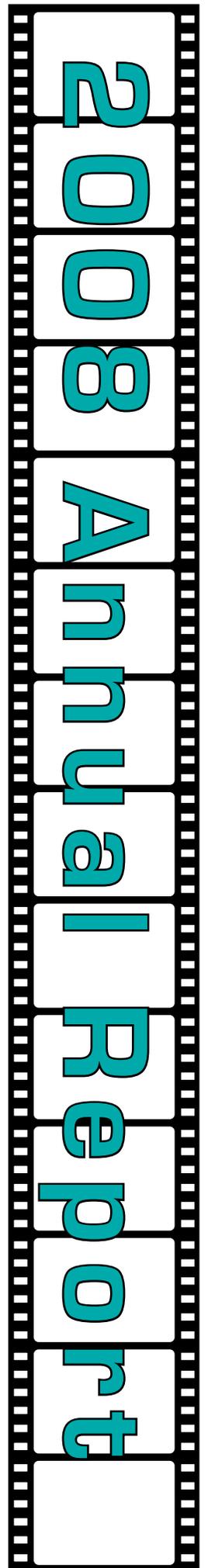
This same DCEO report asserts that film productions employed more than 26,500 Illinois workers in 2007.

In Louisiana, the legislature passed an aggressive production tax credit program in 2002 and within three years saw in-state production expenditures rise from \$4,700,000 to nearly \$220,000,000. Even a small state like New Mexico has realized a huge increase in revenues through its targeted tax credit program. Film production in New Mexico grew from \$8,800,000 in 2002 to over \$213,000,000 in 2005 following the passage of a film production tax credit stimulus bill.

The Missouri Film Commission believes that a targeted increase in the Missouri Film Production Tax Credit program will reap similar long-lasting rewards for Missourians. The Commission remains committed to seeing Missouri's Film Production Tax Credit Program eventually increased to a level approaching twenty-five million dollars in tax credits per year. This size tax credit program would provide enough incentives to attract about 15 medium-size feature films (with budgets approaching \$5,000,000) to Missouri every year. The Commission believes that this level of production activity will be sufficient to enable a self-sustaining film production community employing 1500 to 3000 workers to thrive in Missouri.

As such, the Film Commission will work throughout 2009 to achieve two goals: 1) to create a new job training program to help educate film and motion media technicians, and 2) to increase available film production tax credits in order to achieve a self-sustaining film production industry in Missouri.





Missouri Film Commission

Administrative Support Provided by:

Missouri Department of Economic Development

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