



Michigan Film Incentive Legislation How it Works

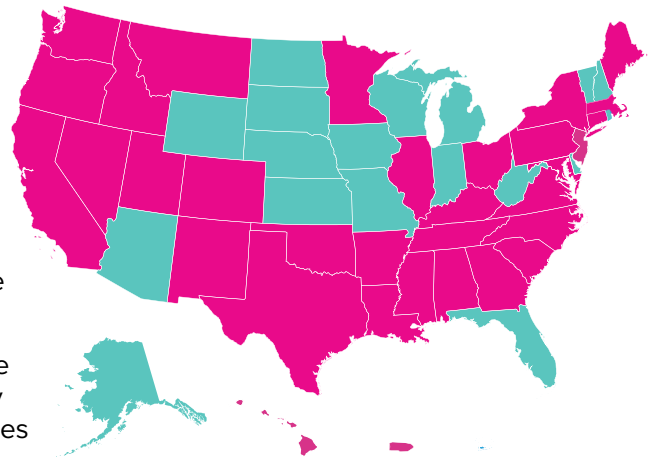
Over **39 states** have film incentive programs. Of these, **25 states and Puerto Rico** have advertising commercials as part of their programs.

Illinois, Minnesota, Ohio & Pennsylvania all have film programs that include advertising commercials.

Michigan is not on an even playing field with the nation, let alone with its neighboring states. Our state misses out on opportunities to host advertising projects. Some of the competition also comes from overseas where marketers are finding financial benefits through lower production costs.

Proposed legislation in Michigan has the potential to elevate our state as a leader in film production and not stand idly by while its robust advertising and corporate video industry loses out to more competitive states.

MIFIA has consulted with professionals who've helped craft other state's film incentive legislation. The proposed legislation was built from the ground up and has been scrutinized for the successes and failures of other states' programs.



*Puerto Rico, U.S. Virgin Islands
& Washington, D.C., have film
incentive programs..*

The bill is first and foremost a Michigan jobs program and not a Hollywood handout

A successful state film program excels when TV, film, advertising commercials and corporate videos are all included. Each market helps build support for the other.

Michigan, historically, has had a robust commercial and corporate industrial production market. The current trend in advertising has shifted much of its focus away from broadcast to content marketing (web video production). Including the corporate industrial component ensures that much of that business will continue to grow and remain in the state.

Marketers often require of their agencies that a certain percentage of their commercial production be done in those states offering incentives.

Commercial production helps create infrastructure. It builds labor force and brick and mortar businesses that make the foundation for a successful production community.

Commercial projects shoot more frequently in contrast to features and episodics, adding more stability to the work lives of the freelance labor force. In addition, commercial and corporate videos typically do the post-production in Michigan as well, leading to a more stable workforce from conception to the finished product.

Commercial productions typically hire a greater percentage of local labor, goods and services because it is more economical to do so. The film industry in Michigan has always been rooted in commercial and corporate work. There is a fairly strong infrastructure that already exists. Commercial incentives will only add to the strength of our base of resources. Editorial facilities, stages and prop houses will grow. Additional industries that directly help the production industry will also be impacted, including carpenters, catering, location rentals, hair, makeup, hotels and restaurants, just to name a few.

Here is how our bill, with the inclusion of a commercial/corporate industrial component, will elevate Michigan to become the industry leader and help boost Michigan businesses and labor:

- Only verified qualified expenditures that have been spent qualify for the incentive. This allows Michigan to receive both the economic impact in the state as well as collect the taxes on those expenditures before a tax credit is issued.
- Money is never issued by the state.
- Only a State of Michigan Tax Liability may be offset.
- For projects less than 20 minutes, \$50K in qualified expenditures must be spent in Michigan (live action or animation).
- 30% Credit for qualified Michigan residents.
- 25% Credit for qualified Michigan-based vendors.
- 20% Credit for qualified non-resident personnel expenditures.
- \$300K salary cap for person per project.
- Above the line (producer, director, writers, etc.), below the line (crew, post-production) and talent qualify.
- Post production done in the state will count. if the \$50K production minimum spend requirement is met.
- If a marketer uses a Michigan-based advertising agency to develop the commercial and it films in the state, a portion of the creative development Time of Staff would qualify.
- Commercials and Industrials have their own allocated bucket of tax incentives.
- Industrials and Corporate Videos qualify.
- Multimarket distribution is NOT a requirement
- Allows 3rd parties to apply on behalf of the copyright holder.
- CPA verification required.
- 48 hours prior to 1st shoot day applications must be submitted.
- Transferrable once to up to 10 assignees within one year from the credit being issued. (allows credit to be sold via a broker, typically at a discount of 80-90 cents on the dollar).
- There is a \$1,000 non-refundable application fee

Marketers can use tax credits against their own State of Michigan Tax liabilities or they can be sold to an assignee that has a State of Michigan Tax Liability. If they don't have a State of Michigan Tax Liability, they can sell it via a broker for typically 80-90 cents on the dollar to an assignee with State of Michigan Tax Liability. Thus helping both Michigan companies and the applicant/copyright holder that produce in Michigan.

The commercial production film incentive as currently proposed in our bill has it's own allocated bucket of money. All unused allocations rollover each year there if there is a surplus to the next year.

The cap grows from 2 million for each of the first 3 years of the program, then 5 million for the next 3 years and 10 million in the remaining 4 years of the program.

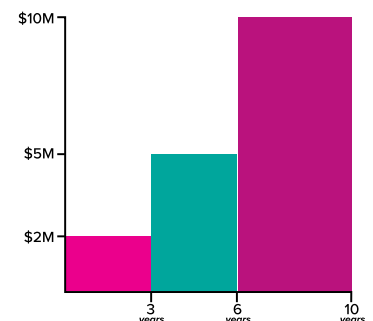
The reaction to our bill is being positively received by Democrats and Republicans

Legislators are beginning to understand the urgent need, for creative solutions to our economic predicament and they see the opportunity with a film incentive program. Other states, neighboring states have already taken steps to re-instate film incentive or even increase their offerings. Demand for content is high and growing with Marketers, TV, Film and Streaming Services looking for content.

Michigan has a budget surplus due to a suspension of programs and spending during the COVID pandemic and federal funding is heading our way in an effort to boost the economy. A Film Incentive is very timely as it will certainly boost jobs and stimulate economic activity.

The federal government is set to release a substantial relief grant for Michigan (\$8.5 billion) which will certainly boost jobs and economic activity with the state.

We must act now!



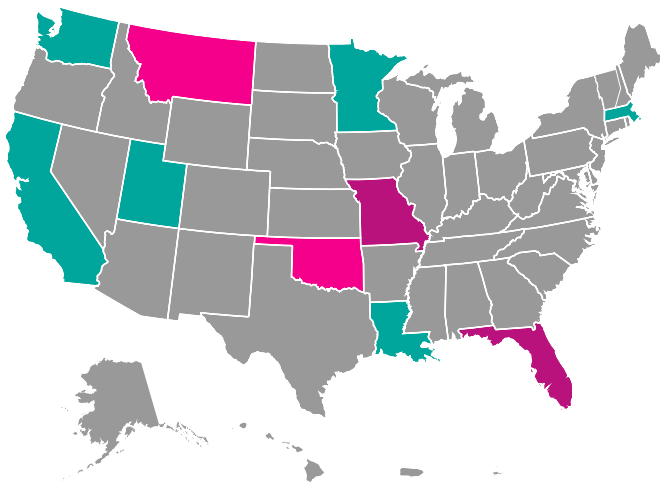
U.S. Film Incentive Programs have been very active in 2021. Here is a brief summary of changes for the year:

New programs introduced – legislation not passed yet, but they are trying:

- **Missouri**
- **Florida**

Expanded Funding of their programs:

- **Montana**
- **Oklahoma**



Others trying to make changes:

- **Massachusetts** – tried to extend sunset date/add funds – didn't pass but will be reintroduced.
- **Louisiana** – tried to remove cap and extend sunset date – didn't pass but will be reintroduced.
- **Washington state** – removed requirements for local director/producer/writer on commercials, trying to expand funding.
- **Utah** – expanded funding, though STILL doesn't recognize commercials. That part didn't pass.
- **Minnesota** – increase funding through 2030 – still pending. 'Film Stimulus Bill' (HF 1975 and SF 198).
- **California** (added 30m to program) – but they also don't recognize commercials.

How you can help:

- Contact your state Senator and House Representative
- Become a supporting member of MIFIA at www.MiFIA.org

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