

Production Incentives Available for Film Projects

By Jack Heape

The use of "Production Incentives", that is soft money provided by governmental authorities to encourage film production within their respective state or country, is an absolutely indispensable tool of the independent filmmaker today. Here is a quote from John Hadity, of Hadity & Associates (Mr. Hadity is a well known film financier).

"Soft money is probably the number one way to finance a portion of your movie. It is absolutely irresponsible to make a movie today in a territory or in a state or in a city that does not offer an incentive, unless it's your money. If it's your money, you can do whatever you want. If you're using someone else's money to make a movie, you should not be filming in California. You should not be filming in states that do not offer incentives. This is free money. They're incentivizing [sic] for you to come and spend money there. They're rewarding you for dumping money into their infrastructure. You're creating jobs. You are helping their economic development. This is free money you should take advantage of. I personally will not help people finance a movie that's not being filmed in an area without incentives."

It is very important for you as the producer of a film project to determine exactly how the incentive process works and the time table for collecting your incentive. Only then can you properly cash flow the incentive and make sure you and your investors are not caught short.

Here is an example of the use of one incentive program, in this case the state of North Carolina.

North Carolina's program reimburses 15% of all qualified spends within the state as a refundable tax credit. You do not have to owe any tax to receive the credit. The minimum local spend is \$250,000; that is, you have to spend more than that amount to get the credit. In addition, there are specific rules about what spending qualifies toward receiving the tax credit. When your project is complete, you file a form with the NC Department of Revenue and they schedule an audit in 3-4 weeks. After successfully completing the audit, you receive a certificate for the amount of your tax credit. You then file a tax return along with the certificate and in 1-3 months you receive a check.

So as you can see from this example it could be well after the production is completed before you receive a check. You can borrow against the credit from a bank but that will cost you a premium.

Every state's production incentive program is different so it is mandatory that you check with the state's administering office to ensure you meet all of their requirements.