



**FLORIDA FILM & ENTERTAINMENT ADVISORY COUNCIL**  
**RECOMMENDED CHANGES TO THE**  
**2007-08 ENTERTAINMENT INDUSTRY FINANCIAL INCENTIVE**

**Type of Funding:**

- Transferable tax credit (currently an annual appropriation)

**Percentage:**

- 15% tax credit (only of Florida qualified expenditures)

**Hurricane Season Adjustment:**

- Additional 5% feature film tax credit from June 1<sup>st</sup> to Nov. 30<sup>th</sup>.
- Only applies to:
  - Feature films with total budgets over \$2 million (those most affected by high prod. insurance increases) -OR-
  - High-impact TV series (per-episode FL qualifying expenditures >\$625,000)
- 75% of production days must occur from June 1<sup>st</sup> to Nov.30<sup>th</sup>.
- Why? Florida is the only state impacted by high production insurance rates (500% increase) *statewide* during hurricane season.

**Family-Friendly Production Adjustment:**

- Additional 2% tax credit for feature film rated 'G' or 'PG'
- As requested by the House of Representatives, per its *100 Ideas* book
- Only paid after a feature film production receives the equivalent of an MPAA-type 'G' or 'PG' rating.

**Program Duration:**

- Six years

**Funding Amount:**

- Tax Credits of \$90 million per year (same amount as New York)

**Threshold:**

- Lower to \$625,000 (currently \$850,000).
- If production occurs across two fiscal years (before June 30<sup>th</sup> and after July 1<sup>st</sup>), it can add Florida qualified expenditures from both fiscal years to satisfy threshold.

**Cap per production:**

- Raise to \$4,000,000 (Current cap is \$2,000,000)
- To reach incentive cap, a production will spend \$26.6 million in Florida qualified expenditures
- Films qualifying for the hurricane season adjustment will have additional cap increase of \$1.3 million;
- Productions qualifying for family-friendly rating adjustment will have additional cap increase of \$520,000.

**QUEUES:**

1. *Film, TV and Series Queue (Main Queue)*

- Require producers using non-Florida equipment package or post-production services to get one good-faith estimate for each occurrence from a Florida vendor prior to production.
- TV Series can receive incentive for first five years of Florida filming only; have priority position subsequent year for funds.
- Remainder of funding, approx. 70%

2. *TV 'Pilot' Queue* (pilots are the 'test' episode for proposed TV series)
  - Hold funds so they're available to be certified to pilots later in year.
  - Merges into Main Queue on Feb. 1 of each year.
  - 5% of funding
  
3. *Commercials and Music Video Queue*
  - Allow commercials/music videos with minimum of \$75,000 in FL qualified expenditures per commercial or music video to add them together to reach a threshold of \$500,000.
  - Cap per company of \$500,000.
  - Merges into Main Queue on April 1<sup>st</sup> each year.
  - 10% of funding
  
4. *Independent Florida Filmmaker Queue*
  - To be eligible, production must score 7 of 10 possible points for Florida hires in the following crew positions (with points per job): Writer (2); Director (2); Producer (1); Director of Photography (1); Star (1); UPM (1); Editor (1); Production Designer (1).
  - Florida resident hires defined as either:
    - minimum 1 year FL residency -OR-
    - Florida film school or Florida university graduate
  - Only for feature productions over 70 minutes in length.
  - Lowered threshold of \$100,000.
  - Must provide evidence 50% of financing in escrow to apply.
  - Post production must be finished in Florida.
  - 5% of funding, queue capped at \$2 million.
  - Merges into Main Queue on May 15<sup>th</sup> each year.
  
5. *Digital Media Projects Queue*
  - Qualified projects are Interactive Entertainment projects defined as computer or video games, simulation, or animation, produced for commercial or educational distribution.
  - Florida qualifying expenditures are Florida-resident labor only.
  - 10% tax credit rebate – for projects rated up to, but not including 'M' or stronger rating by ESRB.
  - Addtl 2% tax credit rebate (total 12%) – for family-friendly projects (rated EC, E or E10+).
  - Threshold of \$300,000 in qualifying expenditures.
  - Cap of \$1,000,000 per project.
  - Cap of 3 projects per company.
  - Recommends 10% of funding.
  - Merges into Main Queue on Feb. 1 each year.

**Wage Cap Per Employee:**

- Switch to a cap per employee of \$200,000
  - Currently we deduct the top 2 Florida salaries completely.
  - Only the first \$200,000 in wages will qualify for incentive.

### **Excluding / Adding Productions:**

- Exclusions recommended:
  - News show, current events, current affairs program
  - Weather or market production
  - Sports event
  - Sports show
  - Awards show
  - Gala or special event
  - Production that solicits funds
  - Home shopping programming
  - Political programming or advertising
  - Video or internet gambling
  - Concerts
- Additions to Eligible Productions:
  - Digital Media (to be defined)
  - Mid-Season Pickups for Episodics / Telenovelas
  - Infomercial

### **Eliminate Current Ineffective Programs:**

- Two programs:
  - Digital Media Effects Company – used only twice, award too low, little interest.
  - Qualified Relocation Project -- never used, award too low, no interest.

### **Make First-Come, First-Serve Year-round:**

- Currently, initial 2-week window for receiving applications is based on production start date. Then, On Feb. 1<sup>st</sup>, queues merge and again are ordered by start date. With a multi-year tax credit allowing shows to cross fiscal years lines, it is easier to market and to be consistent with first-come, first-serve year-round.

### **Rule Making Authority**

- Currently only have statutory authority to create ‘policies and procedures’.
- Need rule-making authority in statute to create binding rules.

### **Proof of Financing**

- Bill should give OFE authority to determine a method for productions to use to provide proof of at least partial financing for each production as part of the application.

### **Minimum Florida Crew Hire**

- Bill should establish a minimum amount of combined crew/cast in budgeted production positions that are FL residents, no higher than 50%.
- Should not inhibit production, but instead help insure productions qualifying for our incentive do benefit our industry workers.

### **Marketing Changes**

- Bill should insure maximum state and/or local marketing value from productions benefiting from incentive.

# The Florida Film and Entertainment Financial Incentive

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## A HIGH-RETURN TAX CREDIT FOR FLORIDA'S ECONOMIC DEVELOPMENT

*What's the annual cost of the proposed incentive?*

- \$90 million per year in transferable tax credits.

*What's the annual return?*

- **\$540,000,000 each year paid to Florida cast, crew and businesses.**

*What's the cost over six years?*

- \$540,000,000 in transferable tax credits.

*What's the return over six years?*

- **\$3.24 BILLION DOLLARS paid to Florida cast, crew and businesses.**

*What's the return on investment?*

- **6-to-1 ROI...**

... That's six dollars spent in Florida before one dollar is paid out as a transferable tax credit.

Florida companies can additionally benefit if an out-of-state production transfers (sells) its tax credits to them *at a discount*, leaving part of the incentive right here in Florida.

*What's the economic impact on Florida?*

- **\$9.72 BILLION DOLLARS over six years** (using a conservative 3X multiplier) with a six-year investment of only \$540 million.

*(note: impact numbers based on recommendations as of 12/15/06, subject to change)*